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The Bonds of D-Day: Fading With the Years

The Old Order Has Been Overturned, And U.S.-European Alliance Drifts

By Jim Hoagland

WASHINGTON — Fifty years after Operation Overlord sanctified the trans-Atlantic relationship in blood and steel on the beaches of Normandy, America and Europe are drifting together, and drifting apart.

The 50th anniversary observance of D-Day this spring occurs in a moment of

ble to say whether history flirts with ephemeral irony, or with lasting symbolism, in having the celebration of America's most significant military triumph abroad presided over by Mr. Clinton, 47, whose formative political experiences came protesting American involvement in Vietnam and avoiding a draft he considered unjust.

This American president is determined to be re-elected by working hard to provide increased economic and personal security for Americans at home while avoiding costly new commitments abroad.

Mr. Clinton is sure about what he does not want to do: He is not about what he wants to do overseas. He and his foreign-policy aides have explicitly said that they consider Europe to be less important than did their predecessors, especially in comparison with Asia.

The drifting apart is clear on the other side of the Atlantic as well: Bosnia, recession and the costly reunification of Germany have sapped the credibility and energy of the major European governments at the same time. Their complaints of a lack of clear American leadership on Russia, the Balkans and other topics, if largely justified, also reflect Europe's own weaknesses and self-absorption.

Similar complaints have been voiced in the past, and periods of "disarray" have been frequent in the Atlantic alliance. But the timing of the 50th anniversary of D-Day underscores that the cleavage is much more significant now than in the past.

To look back at June 6, 1944, from this distance is to survey the collapse and rebuilding of a global society that is once again on the cusp of enormous change.

Paradoxically, the invasion of Europe by an American-led army would have political consequences that outlasted its military significance.

D-Day brought a formerly isolationist America back into Europe physically and politically. The success of the invasion began a political order that would dominate world politics for the next half-century.

Out of the trans-Atlantic alliance grew the United Nations, a free international trading

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This opens a series of articles on the future of the American-European relationship. On Monday, the next installment will examine security in the post-Cold War world. Subsequent articles will appear weekly until June 6.

transition, as the leaders of America and Europe grope for new forms of alliance to replace the effective political partnership they forged to overcome the German Nazis and then the Soviet Communists.

The collapse of the Soviet Union and the end of the Cold War — in some ways, the final act of the liberation of a continent that Operation Overlord launched — have freed America and Europe to turn inward and concentrate on long-subordinated domestic challenges, while paying little joint attention to war in the Balkans and other security problems.

In this sense America and Europe drift together, without focusing or adopting a new trans-Atlantic consensus.

In this moment of transition (and to a great extent because of this moment of transition) America will be represented at the Normandy anniversary by a president not yet born when Operation Overlord began. In his youth and inexperience on the world stage, William Jefferson Clinton embodies the growing ambivalence and uneasiness of the American nation about its role abroad. Without knowing the future, it is impossi-



Silvio Berlusconi leaving Rome's Quirinale Palace on Thursday after President Oscar Luigi Scalfaro named him to form Italy's first postwar conservative government.

Berlusconi Gets Call to Power, Sealing Sudden Rise in Politics

By William Drozdiak

ROME — Only three months after he entered politics, the media tycoon Silvio Berlusconi capped his astonishing rise to power Thursday when President Oscar Luigi Scalfaro appointed him to form Italy's 53d government of the postwar era.

The billionaire entrepreneur was designated by Mr. Scalfaro as the new prime minister exactly one month after he led a populist rightist alliance to victory in historic elections that ended four decades of domination by the traditional ruling parties, the Christian Democrats and Socialists.

A presidential spokesman said Mr. Berlusconi "reserved a decision" on taking the reins of power until he had completed naming a cabinet. His aides said the process was virtually finished, and its formal approval by both houses of Parliament should take no more than two weeks.

In choosing the 57-year-old businessman, Mr. Scalfaro said he was respecting the "will of the people." Mr. Berlusconi's grass-roots party, Forza Italia, came from nowhere to emerge as the country's strongest political force in the vanguard of a rightist coalition that included the federalist Northern League and the neo-fascist National Alliance.

Despite his swift ascendancy, Mr. Berlusconi's tenure in power promises to be turbulent. He still has failed to quell fears about potential conflicts of interest between his government and business activities. And relations remain precarious between his main coalition partners, Umberto Bossi of the Northern League and Gianfranco Fini of the National Alliance.

"Now comes the hard part," said Luigi Caligaris, a former general who advises the new prime minister on defense and security matters. "I've told Berlusconi that he will find politics much different than business. If you run a successful firm, the people who work for you are totally loyal. But in politics, those who say they are your allies think of themselves first."

Antonio Martino, the chief economic adviser who is tapped to become foreign minister, said in an interview that Mr. Berlusconi intends to move quickly to accelerate an

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Palestinians And Israelis Set Target of May 4 on Pact

But Rabin and Arafat Will Meet a Day Before On 2 Remaining Issues

By John M. Goshko

CAIRO — Israeli and the Palestine Liberation Organization on Thursday set May 4 as the deadline for Prime Minister Yitzhak Rabin and the PLO chairman, Yasser Arafat, to meet here and sign a long-delayed agreement put into effect self-rule for Palestinians in the Gaza Strip and West Bank town of Jericho.

The planned signing next Wednesday is to be witnessed by Secretary of State Warren M. Christopher and President Hosni Mubarak of Egypt, who in a series of meetings here Thursday convinced Mr. Arafat and the Israeli foreign minister, Shimon Peres, that negotiations to have the accord ready for signature should be completed by Tuesday, with the signing on the following day.

"I suggested that target date for signature should be here in Cairo, and both parties agreed," Mr. Mubarak said as the four men appeared at a news conference.

He added that Mr. Rabin and Mr. Arafat planned to meet Tuesday night to thrash out the biggest unresolved problems. Mr. Mubarak also said Mr. Christopher, who came here in an effort to push the U.S.-sponsored peace process forward, had agreed to stay in the region and attend the Wednesday ceremony.

At issue is an accord on how to put into effect the Israeli-PLO peace agreement that was signed at the White House on Sept. 13. That agreement calls for giving autonomy to the Palestinian inhabitants of Gaza and Jericho as the first step toward self-rule throughout the Israeli-occupied territories.

The White House agreement envisioned completion of the implementing accord by Dec. 13, with Israeli forces completing their withdrawal from Gaza and the Jericho area by April 13. But issues as major as the size of the Jericho autonomy zone and as narrow as whether the PLO-controlled areas should have their own postage stamps and telephone area codes have kept such an agreement out of reach until now.

There is no guarantee that the new deadline of Wednesday will be met. But the tone of statements by the four men was clearly upbeat. They left the impression that Mr. Christopher and Mr. Mubarak had convinced the Israelis and the PLO that immediate conclusion is necessary if the peace process is to maintain its momentum and avoid falling victim to extremist opponents on both sides.

Mr. Christopher's main goals on this trip have been to get the Israeli-PLO accord finished and move on to what the United States regards as the next important stage of the peace process — getting Israel and Syria into serious negotiations for a peace agreement based on some kind of Israeli withdrawal from the Golan Heights.

After conferring with Mr. Rabin in Jerusalem on Friday, Mr. Christopher will go to Damascus on Saturday to convey the Israeli leader's thinking to the Syrian president, Hafez Assad.

A senior American official accompanying Mr. Christopher acknowledged that major problems still must be worked out in the next six days. But he added, "We have every expectation that there will be a signing ceremony to celebrate on Wednesday."

Mr. Arafat said he believed the deadline would be met but refused to talk about specifics. The most optimistic comment came from Mr. Peres, who said: "For us, it is the end of a long voyage and the beginning of a new chapter in the relations between the Palestinian people and ourselves."

The two biggest sticking points involve the size of the area around Jericho that will be subject to Palestinian autonomy and the composition of an embryonic Palestinian police force, including its role at border crossing points such as the Allenby Bridge that connects the West Bank with Jordan.

The PLO has been demanding control over an area of 60 square miles around Jericho, but Israeli sources say that the Rabin government wants it limited to about 36 square miles.

The other dispute centers on PLO insistence that a member of the Palestinian police force be

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Seeking 'Legitimacy,' South Africa Extends Voting in 6 Black Areas

By Paul Taylor

JOHANNESBURG — South Africa's multi-racial election was extended Thursday for one day in six black areas covering about one-third of the population, where administrative problems made it difficult or impossible for people to vote.

The extension, ordered amid a rash of complaints about voting irregularities and logistical snafus, drew support across the political spectrum. But it has also increased the likelihood

that the vote count — which will now not start until Saturday — will be slow, messy and subjected to partisan challenges.

President Frederik W. de Klerk, who ordered the extension on the recommendation of the Independent Electoral Commission, said he took the step because "we must be able to say that all South Africans who wished to vote were given the opportunity."

Otherwise, he said, the "overall legitimacy" of his country's founding democratic election would be in jeopardy.

Earlier Thursday, Nelson Mandela, the African National Congress president, asserted that there had been "massive sabotage" in the first two days of balloting. He complained that the huge majority of administrative problems at polling stations were in black rather than white areas.

As soon as Mr. Mandela made the allegation, the ANC began softening it — not an unfamiliar maneuver for an organization whose leader is prone to off-the-cuff commentary.

ANC spokesmen said Mr. Mandela's re-

marks should be seen as an expression of frustration rather than as a sweeping indictment of the legitimacy of an election that is expected to make him president. The organization continued to suggest that there had been specific irregularities here and there — as did all other parties — but said it was satisfied with the extension.

The balloting went relatively smoothly throughout much of the country on Thursday as voting stations that had been overrun on Wednesday were much less busy and more

relaxed. Once again, there were virtually no reports of violence or overt intimidation.

All through Wednesday night and Thursday, the army's printing presses churned out millions of extra ballots, which were transported in military aircraft to regions of the country that had experienced shortages on Wednesday.

One of the still unresolved mysteries of the electoral process is why, with an initial printing of 40 million ballots for an electorate estimated

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China Bracing For Trouble Down on Farm

By Lena H. Sun

YUANZHANG, China — Home to the majority of China's nearly 1.2 billion people, rural areas have largely been passed over by China's economic boom. Real incomes have fallen in recent years. Peasant protests, particularly in poor inland areas like this one, have been on the increase, according to peasants and pro-democracy campaigners.

In some regions, officials are already bracing for possible trouble ahead.

This year there may be small-scale protests, but not major chaos. Xiao Yang, the governor of Sichuan Province, recently predicted. By small-scale protest, he was referring to unrest last summer in Sichuan's Renshou County, when thousands of angry peasants stormed government offices, held local officials hostage, and attacked them with bricks and clubs to protest excessive local levies.

Near the southern city of Guangzhou two weeks ago, policemen fired tear gas into a crowd of about 3,000 peasants who were protesting corruption in one of the villages, Hong Kong newspapers have reported. The villagers said officials had sold public farmland to foreign investors without adequately compensating the peasants.

Five years ago, corruption was one of the factors that touched off the democracy protests that were violently crushed by the army. Now, corruption within the party has become so pervasive that the vice president of the Central Communist Party School in Beijing last month described the relationship between ordinary Chinese and the party as one of "acute tension."

"If not dealt with properly, this will cause social unrest and political instability," the

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Kiosk

Inflation Signal Spurs Bond Sell-Off

Dow Jones	Trib Index
Down 31.23	Up 0.21%
3668.31	112.48

The Dollar	Thurs. close	previous close
New York	1.961	1.9723
DM	1.514	1.5046
Pound	1.01275	1.0233
FF	5.8985	5.7345

General News
Bosnian Serbs are refusing to comply fully with NATO's Gorazde ultimatum. Page 2.

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United States bond prices plummeted Thursday, putting pressure on the dollar and dragging down stock prices on Wall Street after the government issued a figure that showed inflation was still a danger even though growth had slowed in the first quarter.

The benchmark 30-year U.S. Treasury bond slumped nearly two points as traders focused on indications that prices rose more than expected even though gross domestic product grew only 2.6 percent in the first quarter, down from 7 percent in the last quarter of 1993.

At the close of trading, owners of the benchmark bonds had lost more than \$20 for each \$1,000 face value as the yield reached 7.26 percent, up from 7.10 percent on Wednesday. (Page 11)



TOKYO LINEUP — Prime Minister Hata on Thursday with his new cabinet. Page 2.

In War on Disease, Gene-Altered Mice May Provide the Magic Bullet

By Rick Weiss

WASHINGTON — Scientists have produced a genetically altered strain of mouse that makes antibodies identical to those made by humans. If the mouse-made substances work in people as they have so far in test-tube experiments, scientists will have gained a new ability to attack viruses, tumors or even a person's own faulty immune system cells.

Antibodies are among the body's most powerful defenses — proteins that seek out and destroy invading microbes and other biological interlopers. As a result, they have enormous potential as drugs. Since 1975, researchers have known how to mass-produce them artificially, but they have struggled unsuccessfully to make versions so perfect that the body would not reject them as foreign.

The new work has rekindled hopes that laboratory-grown

antibodies may at last live up to their expected role as "magic bullets" able to fight infectious, cancer, organ rejection and chronic inflammatory diseases such as rheumatoid arthritis.

Scientists cautioned that the history of such research is littered with dashed hopes, and final judgment must await further laboratory studies and clinical trials in people. But "if it's really possible to get human antibodies from a mouse,

then you're talking about a quantum-leap advance," said Anthony S. Fauci, director of the National Institute of Allergy and Infectious Diseases. "The implications are really stupendous."

Details of the work appear in Thursday's issue of the journal Nature, in a report by Nils Lomberg and colleagues at GenPharm International, a biotechnology company in

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Once-Smug Geneva Begs for Its Own Kind of Business

By Paul Lewis

GENEVA — The grim gray spires of John Calvin's cathedral rise above the southern shore of the bottle-green Lake Geneva, while on a hillside above the northern shore is the cluster of international organizations, ranged around the monumental old League of Nations headquarters.

Geneva has always held these international guests primarily at arm's length, but that is changing.

A decade or so ago, with Geneva's economy booming, politicians were hanging out the full-up sign, saying the city already had enough international organizations.

But Geneva has not escaped Europe's recession. With unemployment at 8 percent, city leaders plainly feel they can no longer afford to look gift horses in the mouth.

"Ten years or so ago the nationalists didn't want any more foreigners in Geneva, but they are not so self-confident any more," said Liesle Graz, a Swiss writer and journalist. "There are empty shops in Geneva these days. That's something new."

So with a rare but desirable creature promising to arrive on the shores of Lake Geneva, the Swiss authorities are doing everything they can to let it welcome.

At the start of next year, the secretariat of the General Agreement on Tariffs and Trade,

which has managed world trade for the last 47 years, will be transformed into the bigger World Trade Organization. The new organization will have hundreds of well-paid international civil servants with lifetime job security.

Two years ago Geneva lost out to The Hague in a fight for an international inspectorate to enforce the chemical-weapons ban. Last year Geneva lost out to New York for the agency that will monitor compliance with environmental goals set at a meeting in Rio de Janeiro in 1992.

Last year the Organization of Petroleum Exporting Countries decided to move its headquarters back from Vienna. But Vienna has tried to persuade OPEC to change its mind,

offering a magnificent 18th-century palace to replace its undistinguished office building.

Now the Swiss government is negotiating to try to ensure that the World Trade Organization will remain in the vast stone building the General Agreement on Tariffs and Trade occupies on Lake Geneva's shore.

Peter Sutherland, the director-general of GATT, insists that "the negotiations are real and the outcome not preordained."

Arthur Dunkel, the previous head of GATT and a Swiss, agreed, saying, "It's good to remind the Swiss that nothing is forever."

Mr. Dunkel has just created a group that will

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The Highway Was His Way

Jürgen Schneider, the German real-estate developer who fled a debt-ridden empire, left behind him a trail of unemployment. In his mock-Tudor castle, some of his soon-to-be jobless staff gathered to sing around the piano and wonder what to do next. There was also much discussion of whether Mr. Schneider was an evil genius or just a megalomaniac trapped by reality. Many think that he was overwhelmed by his business empire. Fearing his creditors, Mr. Schneider may have simply panicked. (Page 11)

Newsstand Prices

Andorra.....9.00 FF	Luxembourg 60 L Fr
Antilles.....11.20 FF	Morocco.....12 Dn
Armenia.....1.400 CFA	Qatar.....8.00 FF
Egypt.....9.500	Saudi Arabia.....9.00 R
France.....9.00 FF	Senegal.....960 CFA
Gabon.....960 CFA	Spain.....200 PTAS
Greece.....300 Dr.	Turkey.....1.000 Din
Ivory Coast.....1.120 CFA	Turkey.....T.L. 15,000
Jordan.....1 JD	U.A.E.....8.50 Dirh
Lebanon.....US\$ 1.50	U.S. Mil. (Eur.) \$7.10

New Japan Cabinet Leans to the Right

Hata Shows a Cautious Bent In Appointments, and Words

By James Sterngold
New York Times Service

TOKYO — Over the last week, the question for Prime Minister Tetsuo Hata was whether he would be able to entice the Social Democratic Party back into his fractious coalition or would have to struggle without it in a minority government.

But as he finally assembled his cabinet Thursday without the Socialists, and set sail on a wobbly course as Japan's first minority government in 39 years, it was clear that the issue had been not just one of parliamentary strength but of ideology.

Mr. Hata pledged that his government's mission would be to carry on the process of economic and political reform begun by his predecessor, Morihiro Hosokawa. But Mr. Hata's cabinet choices and his comments Thursday suggested the government was swung decidedly to the right on important issues.

Not only are the six Socialists from the last coalition government gone, replaced by conservatives, but the new cabinet includes a retired general for the first time in the post-World War II era.

Shigetomo Nagano, 71, the justice minister, served as the highest officer in the Ground Self-Defense Force, as the army is known, before retiring and winning a seat in the parliament.

And the foreign minister is Koji Kakizawa, 60, an articulate former Finance Ministry bureaucrat who has argued that Japan should allow its military to be used abroad in peacekeeping missions, even when there is a threat of hostilities.

That sort of independent stance is anathema to Japan's leftists, and even to many older Liberal Democrats who remember World War II and distrust the ability of civilians to control the military.

Thus, Mr. Kakizawa, who defected a week ago from the Liberal Democratic Party, the most conservative party, leans decidedly to the right, by Japanese standards.

"In international affairs we have to be open to collective security arrangements, to have shared responsibility in our security affairs," he said in an interview this week.

"I don't just mean financial responsibility," he said, "but shared risk-taking in maintaining the security of this region."

That stand is particularly important now, with the United Nations trying to determine how to persuade North Korea to stop blocking inspections of its suspected nuclear weapons program.

The Socialists have argued against hasty steps, such as imposing an economic embargo against North Korea. But Mr. Kakizawa's views are more in keeping with those of the United States, which wants at least to have the option of sanctions available to apply more pressure on Pyongyang.

Because of the new cabinet's strong conservatism, Tomiichi Murayama, the chairman of the Socialist Party, described it as "a pseudo-liberal Democratic Party government."

Mr. Kakizawa has long been close to Michio Watanabe, a former foreign minister, who has argued that Japan ought to consider amending its pacifist constitution to permit the cooperative use of its military to maintain order in an uncertain world.

Mr. Watanabe considered, then rejected, jumping from the Liberal Democratic Party and joining the coalition. Mr. Hata is believed to have offered the plum Foreign Ministry portfolio to Mr. Kakizawa both to reward him for joining the coalition and to help lure more Liberal Democrats.

The changes in the new government were a matter of style as well as substance. Mr. Hata held his first news conference Thursday, and he showed himself to be a different kind of reformer than his predecessor.

While Mr. Hosokawa had wowed the Japanese with his clear, straightforward style and biting criticism of the status quo, Mr. Hata was personable and spoke in circles at times as he sought to evade clear answers to some sensitive questions.

He indicated, without saying so directly, that if income taxes are cut, the national sales tax will have to go up considerably.

Asked about Japan's responsibility for World War II, Mr. Hosokawa had plainly stated that it was a war of aggression for which Japan should apologize.

Mr. Hata described the war as a time when Japan caused the people of the region "various problems" on which it should reflect.

Perhaps most important, Mr. Hosokawa had a knack for enlarging his policy agenda. Mr. Hata talked of incrementally pushing forward policies already under way: increasing the national sales tax, passing the long-delayed budget, implementing a major restructuring of the electoral system and deregulating parts of the economy.



Gennadi Zyuganov, left, and Vladimir Zhirinovskiy contemplating the pact Thursday. Mr. Zyuganov, of the Communists, did not sign.

Yeltsin and Opponents Sign a Truce

By Michael Specter
New York Times Service

MOSCOW — With far more pomp than circumstance, President Boris N. Yeltsin won approval on Thursday for a national peace pact with most of his political opponents.

The treaty, signed in the Kremlin and broadcast to the nation on television, has been literally the only domestic initiative in which Mr. Yeltsin has invested his prestige all year.

It is supposed to guarantee that there will be no political violence before the next presidential elections, scheduled in 1996. That would give the government two years of calm to focus on economic recovery. Everyone who signed the agreement promised not to seek early elections or push for major changes in the constitution.

But almost nobody feels the pact means much. Vladimir V. Zhirinovskiy, the extreme nationalist leader whose party drew among the most votes in the parliamentary elections last December, decided to sign Thursday —

although he had condemned the accord the day before.

"I have come here to take a look," Mr. Zhirinovskiy said as he arrived at the Kremlin. "If Yeltsin smiles at me, I'll sign. If not, I don't."

Almost all parliamentary factions agreed to sign as did representatives of 20 of the countries 21 semi-autonomous regions. Chechnya in the northern Caucasus was the one exception.

Mr. Yeltsin has made what most political analysts here consider major concessions to gain agreement to his plan, officially known as the Treaty on Social Accord. In order to calm the surging attacks from nationalists, the president has shown stronger support for the Bosnian Serbs, postponed Russia's entry into the North Atlantic Treaty Organization's Partnership for Peace and said that Russia might refuse to participate in the first planned military exercises later this year with the United States.

Almost no issue has been a more volatile issue for the right here.

"What we have done indicates that Russia

has an alternative to confrontation," said Mr. Yeltsin, who must deal with a parliament not all that different in political character from the one he shelved out of their building last October. "It will not be easy to achieve. Confrontation still lives in our souls."

"Almost 80 years ago our country was plunged into civil war," he added. "The curse of that war still hangs over Russia. We must break the bloody chain of such events."

The treaty requires that a commission be created to address political crises before they spiral out of control and into violence. Most signers have agreed that the idea is noble. But few think it will actually keep the peace.

It has been hard for many people to understand Mr. Yeltsin's devotion to the accord — and his seemingly lack of attention to nearly all other details of state.

The treaty presents possible problems for Mr. Yeltsin. The Communists, led by Gennadi Zyuganov, and the Agrarian Party refused to sign. And some feel that they could form a loose coalition with such antiestablishment rebels as former Vice President Alexander V. Lukin to challenge the current government.

Bosnian Serbs in Standoff With NATO

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Bosnian Serb forces have not complied with a NATO ultimatum to withdraw beyond three kilometers from the Gorazde city center and are refusing to leave a southern area of the town called Zupci because, they say, it was populated by Serbs before the Bosnian war erupted.

A senior Western official who visited the area Wednesday said on Thursday that Serbian civilians appeared to have been brought in to populate Zupci since the Bosnian Serb offensive on the eastern Bosnian town began a month ago, and that at least 65 armed Serbs were now guarding them.

"Many of the armed Serbs, whom the Bosnian Serb authorities call militia and the Bosnian government say are soldiers, are posted up to 800 meters within the NATO exclusion zone," the official said. "It has become an explosive issue."

The official's remarks suggested that statements this week by the North Atlantic Treaty Organization and by Lieutenant General Sir Michael Rose, the commander of United Nations forces in Bosnia, affirming that the Serbs had fully complied with the NATO ultimatum, are inaccurate.

In fact, it appears that a highly complex standoff, reflecting the fluxes of persecuted populations that have taken place during this war, has developed between the Serbian forces and the Muslims in the Zupci area, well within the NATO exclusion zone at Gorazde. As a result of the conflict, attempts to start new international mediation talks on a Bosnian cease-fire are in effect paralyzed.

Indeed, the dispute is so delicate that officials said Yasushi Akashi, the top UN official in the former Yugoslavia, called Radovan Karadzic, the leader of the Bosnian

Serbs, on Thursday in a bid to persuade him to get the armed Serbs out of Zupci.

But General Ratko Mladic, the commander of the Bosnian Serbs, has apparently insisted that any such withdrawal would leave the newly arrived Serbian civilians in Zupci acutely vulnerable to attack by the Muslims, and has therefore refused to move the men.

Under the ultimatum, issued last Friday, all Serbian forces were supposed to withdraw beyond three kilometers (two miles) from Gorazde city center by last Saturday or face NATO air strikes.

The United Nations, however, which has the last word on calling in NATO air power, tends to show considerable flexibility in interpreting such deadlines because its personnel in Bosnia would be immune from attack.

"We told the contact group that we had just received a message that the Serbs have not withdrawn from the three-kilometer zone," President Alija Izetbegovic of Bosnia said afterward. The government argues that the international community lacks all credibility to mediate peace talks if it cannot bring the Serbs to comply with a NATO ultimatum.

The Serbs contend that their forces are out of the exclusion zone at Gorazde and that those left within it are "police."

The United Nations and NATO have publicly agreed with them, while privately conceding the policemen are probably soldiers in new uniforms.

Whether Zupci was, in fact, a predominantly Serbian part of the town before the war is unclear. Mr. Karadzic and General Mladic claim that it was. Hrislavcic, the Bosnian prime minister, denies this. UN forces here are not sure.

■ U.S. Jet Crashes in Sea

An FA-18 jet launched off the deck of the U.S. aircraft carrier Saratoga crashed Thursday during NATO operations in the Adriatic Sea, the Associated Press reported, quoting a Sixth Fleet statement. The pilot was killed.

The pilot was killed.

UN Seeks Korean Guarantees

North Must Confirm Full Access for Nuclear Inspectors

Compiled by Our Staff From Dispatches

VIENNA — The International Atomic Energy Agency is asking for written confirmation from the North Koreans that they will allow a thorough inspection of a nuclear reactor at the heart of a suspected weapons program, an agency spokesman said Thursday.

The spokesman, Hans-Friedrich Meyer, said a letter to that effect was sent Wednesday night after the North Koreans announced that they would not permit a complete inspection by international monitors called on to witness the replacement of fuel rods at the reactor in Yongbyon.

Mr. Meyer said that unless inspectors were given the chance to inspect the reactor, including the fuel, they would not be able to determine whether the reactor's "use was entirely peaceful."

"We are ready to immediately send our inspectors on condition that they will be able to conduct full inspections," Mr. Meyer said.

The 5-megawatt reactor has been at the heart of the mystery over whether North Korea has at least

one nuclear bomb, as the CIA has alleged. After operating for several years, it was shut down for 100 days in 1989, giving rise to suspicions that North Korea used the time to replace much of the nuclear core and reprocess the spent fuel for use in nuclear weapons.

North Korea claims it withdrew only a small portion of the fuel and says all of the plutonium it reprocessed from the spent fuel has been turned over to the atomic energy agency.

By sampling the plutonium-laden fuel rods due for withdrawal next week, inspectors could determine whether they were indeed installed when the reactor began operating or after the 1989 shutdown to replace other rods that might have been reprocessed. In this way, the inspectors could deduce how much plutonium North Korea might have already accumulated.

After the North Koreans signed a safeguard agreement with the agency in 1992, it demanded complete inspections of North Korea's seven declared nuclear sites and two suspected undeclared sites, which were described as nonnuclear military bases.

In March, inspectors were allowed back into North Korea to check the declared nuclear sites after a one-year break, but were denied full access to one of the installations.

The United States says that thorough UN inspections of North Korea's nuclear sites is a prerequisite to a resumption of high-level talks between the two nations, a halt to U.S.-South Korean war games and promotion of inter-Korean dialogue.

On Thursday, North Korea launched another diplomatic initiative, inviting the United States to negotiate a peace agreement for the Korean Peninsula.

(AP, WP, Reuters)

■ U.S.-North Korean Talks

American and North Korean officials met at the United Nations on Thursday to discuss the standoff between the international nuclear inspectors and the North Korean government, Agence France-Presse reported. The meeting, the first between the two sides in two months, was held by low-level officials, diplomats said.

WORLD BRIEFS

Tehran Is Aiding IRA, Britain Says

LONDON (AP) — Iran is helping the Irish Republican Army in its violent campaign against British rule in Northern Ireland, the British government said Thursday.

"We are convinced that there have been contacts between Iranian intelligence and the IRA," a Foreign Office spokesman said. But the spokesman refused to discuss the alleged contacts, nor would he specify the assistance Iran allegedly provided.

Foreign Minister Douglas Hogg summoned the Iranian chargé d'affaires, Gholamreza Ansari, to the Foreign Office to demand that the contacts "be immediately and conclusively severed." Mr. Ansari denied that Iran had helped the IRA. "I'm sure it's not right," he said after the meeting.

BBC Warns Malaysia on Censorship

KUALA LUMPUR (Reuters) — The BBC has threatened to stop providing news to Malaysia's state television station because of censorship, an Information Ministry official said on Thursday.

The BBC notified Radio Televisyen Malaysia (RTM) by letter last week that it would stop providing programs starting May 1 unless the censorship stopped, the official said.

The BBC objected after several scenes were cut from a report about labor riots in neighboring Indonesia. The national news agency Bernama quoted Fauzi Abdul Rahman, the Information Ministry's parliamentary secretary, as saying that Southeast Asian countries had agreed among themselves to refrain from broadcasting news that might be sensitive to their neighbors.

Russia Signs Arms Pact With Syria

DAMASCUS (Reuters) — Russia has signed a military cooperation agreement with Syria that would pave the way for resumption of arms supplies to Damascus, Russian officials said Thursday.

They said the agreement, the first of its kind since the Soviet Union collapsed in 1991, had been signed Wednesday at the end of a visit by Russia's deputy prime minister, Oleg N. Soskovets. "It is an agreement for cooperation in the military field, including the setting of weapons and training in how to use them," a Russian official said.

The Soviet Union for many years was Syria's main supplier of arms. But in the final phase of Communist rule, Moscow shifted its stance on the Arab-Israeli conflict, telling Damascus to forget its hopes of military parity with Israel and pressing for payment of substantial debts.

Retrial Set in German Firebombing

KARLSRUHE, Germany (Reuters) — An extreme rightist convicted of organizing a firebomb attack against a foreigners' hostel will be retried after Germany's highest criminal court ruled Thursday that his sentence was too light.

The appeals court said Rüdiger Klasen should be tried for attempted murder, a more serious charge than the counts of attempted grievous bodily injury and arson on which he was convicted.

Mr. Klasen, a former leader of the far-right National Democratic Party, was sentenced in June to three years in prison for recruiting and arming nine youths to carry out the firebombing of the hostel near Boizenburg in the northeastern state of Mecklenburg-Vorpommern in 1992. The regional court that convicted him and nine co-defendants ruled that there was not enough evidence of intended injury to sentence him for attempted murder. But the high court ruled that Mr. Klasen must have known that people could have been killed in the fire, in which three foreigners were injured.

Tanks Battle Near Yemeni Capital

SANAA, Yemen (Reuters) — Rival Yemeni army units fought tank and artillery battles near the Yemeni capital for a second day in a row on Thursday, sources on both sides said.

The fighting threatened to rupture the 1990 merger agreement between North and South Yemen and raised fears of civil war. Sources in Sana'a, in the North, and Aden, capital of the former South Yemen, confirmed the collapse of a cease-fire between units loyal to President Ali Abdullah Saleh and to his rival from the South, Vice President Ali Salem Baid.

Southern Yemeni sources said their troops, stationed in potentially hostile territory that used to be North Yemen, had the support of local tribes, who were barring reinforcements from reaching North Yemen troops. Such tribal involvement, if confirmed, could further complicate the dispute. Colonel Saleh's supporters have expressed anger at what they say have been efforts by the Yemen Socialist Party led by Mr. Baid to buy support among the often lawless tribes in the North.

For the Record

President Leonid M. Kravchuk of Ukraine said Thursday that he would ask parliament to postpone the presidential election scheduled for June, arguing that the former Soviet republic would slide deeper into chaos if it went ahead. He stressed he would not run for re-election until laws were passed defining the roles of the legislature and the president. (Reuters)

Parliamentary policemen and civilians went on the rampage in Kinshasa, in western Zaire, on Thursday, pillaging churches, shops and clinics in the town, diplomats in Kinshasa said. It was not clear what sparked the incident, but previous such violence has been over army pay. (Reuters)

TRAVEL UPDATE

Pilots Targeted in Ex-Soviet Republics

HONG KONG (APF) — Robbers are taking to the skies of the former Soviet Union, preying on pilots who must carry bagfuls of American dollars and Deutsche marks to cover operating expenses, the International Federation of Airline Pilots Associations said Thursday.

The association's president, Bart Bakker, said airports were demanding that incoming flights pay on the spot, and in cash, for such expenses as landing fees and fuel. So the pilots have to carry huge amounts of cash. Mr. Bakker said, "There have been many instances — recorded instances — in which pilots have been robbed, molested or even killed for that money." Some 300 airlines now operate in the former Soviet republics, which used to be served by just one carrier, Aeroflot, which continues to operate as Russia's principal airline.

A security alert at Schiphol International Airport outside Amsterdam went into its second week Thursday, with the police continuing to block cars from approaching the main terminal. The Amsterdam daily Het Parool reported that this was in response to the threat of an Islamic militant attack on Israeli, Egyptian or American targets. (AP)

Traffic will be severely disrupted in Prague during the summer tourist season because of extensive work on the city's main axis, especially in central Prague between the Masaryk railway station and Wenceslas Square, the police said Thursday. (APF)

"Golden Week," a series of national holidays in Japan, starts Thursday, and a record 455,000 Japanese are expected to tour abroad. Official holidays are Friday and next Tuesday through Thursday, but many workers are given 10 days off or fill the gaps by taking a few days of vacation. (AP)

United Airlines has asked city officials for another delay in the opening of the new Denver airport, now set for May 15, because of the troubled baggage system. The city canceled a pre-Christmas opening because construction was behind schedule, and a March 9 opening because of the baggage system. (AP)

Air traffic in three Italian international airports may be disrupted Monday by a strike of air controllers and ground personnel, who seek a change in regulations and the hiring of more workers. They plan to strike for two hours in the Milan airports of Linate and Malpensa. Air controllers at Orto al Serio airport, near Bergamo, plan to strike for six hours. (AP)

The New Japanese Cabinet

Following is the new Japanese cabinet, appointed on Thursday (J-Japan Renewal Party, C-Clean Government Party, D-Democratic Socialist Party, N-Japan New Party, L-Liberals, R-Reform, P-Nonpolitical):

Prime Minister: Tetsuo Hata (J)
Foreign: Shigetomo Nagano (J)
Justice: Hirofusa Fujii (J)
Finance: Ryoko Akamatsu (P)
Education: Keigo Ouchi (D)
Health and Welfare: Mitsuki Kano (J)
Agriculture, Forestry and Fisheries: Eijiro Hata (J)
International Trade and Industry: Nobuaki Futami (C)
Transport: Katsuyuki Hikasa (C)
Posts/Telecommunications: Kuniō Hatoyama (R)
Construction: Keji Morinaga (C)
Home Affairs: Hajime Ishii (C)
Chief Cabinet Secretary: Hiroshi Kumagai (J)

Directors-General of Government Agencies (State Ministers):
Management/Coordination: Koishiro Ishida (C)
Defense: Asohiko Kanda (D)
Economic Planning: Yoshio Teramasa (N)
Science and Technology: Mikio Omi (C)
Environment: Toshiko Hamayoshi (C)
National Land: Megumi Sato (J)
Hokkaido/Okinawa Development: Maruyoshi Sato (J)

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THE AMERICAS / A TABLEAU OF RECENT HISTORY

5 Presidents and a Nation Come Together to Say Farewell to Richard Nixon



Bill Clinton, George Bush, Ronald Reagan, Jimmy Carter and Gerald Ford with their wives during the funeral for Mr. Nixon.

By Maureen Dowd

YORBA LINDA, California—To the heroic strains of "Victory at Sea," the theme that comforted Richard Milhous Nixon through his darkest moments, Americans paid a final tribute to the former president who had fascinated, infuriated and impressed them for nearly half a century.

It was hard to imagine Wednesday, as the Reverend Billy Graham offered a prayer to "lift us above our darkness and distress into the light and peace," that there would be no more comebacks or reincarnations, no more new Nixons, same old Nixons or mellowed Nixons.

President Bill Clinton, a Democrat who came of age in the politically scalding years of Vietnam and Watergate, a leader who has had his own experiences with sin and redemption, urged Americans to let Mr. Nixon's Sisyphus penance earn him forgiveness.

"May the day of judging President Nixon on anything less than his entire life and career come to a close."

The four living former presidents — Gerald Ford, Jimmy Carter, Ronald Reagan and George Bush — looked on from the first row of seats at the first funeral for a U.S. president since Lyndon B. Johnson's in 1973.

Mr. Graham said in his sermon before 3,000 guests at the service at the Nixon Library and Birthplace that Mr. Nixon had given his final wave and thumbs-up sign to his doctor in New York Hospital-Cornell Medical Center after he was hospitalized for a stroke as he was reading the galley proofs of his last book on foreign affairs.

"That is a moment of determination, an example of fighting on and never giving up," Mr. Graham said of the man whose darker and better angels alike had cast compelling shadows

on the American character and consciousness. Before the funeral began, the guests mingled amiably, creating a living tableau of recent American history.

There on the lawn in front of the bungalow where Mr. Nixon was born were people who had not seen one another for 20 years: aides who had suffered with him through the Watergate scandal that forced Mr. Nixon's resignation from office, some of whom had gone to prison for their parts in it; secretaries from the White House press office; advance men from his 1960 campaign against John F. Kennedy.

Perhaps the biggest stir was created by former Vice President Spiro T. Agnew, silver-haired and tanned, looking as sleek as the day he left office in 1973 after a financial scandal.

"I decided after 20 years of resentment to put it all aside," Mr. Agnew said before the ceremony. "I'm here to pay tribute to the man's many accomplishments and to express our sympathy to Tricia and Julie and the family we always thought highly of. The last time I talked to him was the day I resigned."

He tried to call me after that, several times, but I didn't take the calls because, at the time, I felt totally abandoned, but that's all past."

George McGovern, whom Mr. Nixon defeated to win re-election in a 49-state landslide 22 years ago, captured the ambience of the day, telling reporters during a flight from Washington to California aboard Air Force One:

"My own career has been so intertwined with his that I really had the feeling that an old friend had left the scene. That may seem to believe in view of the bitterness of that 1972 campaign, but I made my peace with him years ago."

Choking back tears, Henry A. Kissinger, despite one of the eulogies. He said Mr. Nixon, given his gruff pose, would have been delighted by

the outpouring of concern and praise from friends and adversaries this last week, in what he termed "the culmination of an astonishing life."

Mr. Clinton smiled and nodded in agreement. The former secretary of state described Mr. Nixon as "one of the seminal presidents" in terms of conduct of foreign policy.

"He achieved greatly, and he suffered deeply," Mr. Kissinger said. "But he never gave up. In his solitude he envisaged a new international order that would reduce lingering enmities, strengthen historic friendships and give new hope to mankind."

In his eulogy, Mr. Clinton quoted from the speech Mr. Nixon gave in 1968 in accepting the Republican Party nomination for president. He spoke of "the force of a driving dream" that had carried the former president from humble beginnings in California onto the world stage and added:

"He made mistakes, and they, like his accomplishments, are part of his life and record. But the enduring lesson of Richard Nixon is that he never gave up being part of the action and passion of the times."

Senator Bob Dole, Republican of Kansas, in beginning his eulogy said he believed that "the second half of the 20th century will be known as the Age of Nixon."

The American people, he said, "love a fighter, and to Dick Nixon they found a gallant one."

He recalled that Mr. Nixon had once told his daughter Julie, "I just get up every morning to confound my enemies." At that, Julie, sitting a few feet away, broke into a wide, delighted grin.

Mr. Dole's voice cracked as he quoted Mr. Nixon as saying, "In the end, what matters is that you have always lived life to the hilt."

POLITICAL NOTES

Quayle's Book Settles Scores

WASHINGTON — Jim Baker, according to former Vice President Dan Quayle, cared about only one thing: "What was in it for Jim Baker." The former housing secretary, Jack Kemp, was prone to "tangents" with no "discernible point." And President George Bush's men ran "the most poorly planned and executed incumbent presidential campaign in this century."

After 18 months of relative silence, the former vice president is back.

Mr. Quayle's public return comes in the form of a take-no-prisoners book, "Standing Firm." The book nicks nearly everyone it touches — except Mr. Bush — and leaves no doubt that Mr. Quayle has strong intentions of seeking the presidency in 1996. The book, along with planned appearances by Mr. Quayle plugging it on national television programs and a promotional tour map shaped by electoral politics, looks like the first step in determining the viability of a Quayle campaign.

"Standing Firm" will be published May 5. But copies are already in Republican circles, where its swipes at prominent members have been the gist of intense gossip.

To some extent, the book offers a realistic appraisal by Mr. Quayle about his airhead image from the August day Mr. Bush selected the little-known Indiana senator in 1988 to be his running mate. Some chapters, such as one called "Meeting the Media," amount to a Quayle effort to discern why he became among the most ridiculed politicians in history.

Chapters in the nearly 400-page book are named for episodes in his vice presidency that exacerbated that image, and one, "Flaps, Gaffes — and Serious Diplomacy," deals with a slew of them. That chapter explains the circumstances surrounding Mr. Quayle's reference to "happy campers" in the Samoan capital of Pago Pago which appeared to be patronizing.

Another chapter, "Baked, Masbed and Fried," starts with the infamous episode in the 1992 campaign where Mr. Quayle misspelled "potato," giving it an "s" at the end. But he laments that his staff did not help him mitigate the damage by putting a better "spin" on the episode.

Another chapter deals with the "Dump Quayle" effort he believes was orchestrated by Mr. Baker, then secretary of state, and Robert Teeter, the campaign chairman.

While the book contains much of Mr. Quayle's self-deprecating humor, it also offers extensive self-justification. It is not a serious examination of

the Bush presidency or any sort of prescription for the future.

It is largely a "setting-the-record-straight" book that one friend of Mr. Quayle's called "a small book," in reference not to its size but to what it accomplishes. (RFP)

'Vacancy' Signs on Capitol Hill

WASHINGTON — Suddenly, and with virtually no fanfare, that throng of voters whose prevailing attitude toward Congress is to throw the bums out is getting its wish: Incumbents are leaving, in droves.

Swept out by a generational change, forced out by public cynicism, unforgiving politics and unrelenting fund-raising demands, up to 90 of the House and Senate's 535 members are likely to be gone when the next Congress convenes in January. Some will lose elections. But most are just retiring.

So many members are leaving the House of Representatives this year — 46 already, atop 45 departures in 1990 and a record 110 in 1992 — that the majority of the next House is virtually certain to consist of politicians with four years of Washington experience or less. That would make it the greenest House in at least 20 years, probably in 45 years.

But the meaning is less clear for the legislative and electoral systems, which many say have grown meaner and more impersonal with each succeeding rout of incumbents.

And it is exceedingly bad news for the Democratic Party and President Bill Clinton.

With Wednesday's announcement by Senator David L. Boren, Democrat of Oklahoma, that he would retire at the end of this session to become president of the University of Oklahoma, nine senators will have stepped aside this year — the most since 1978, when 10 retired.

In part, because there are far more Democrats in Congress than Republicans, far more Democrats are now deciding to leave. And several factors, from redistricting to Mr. Clinton's middling popularity, make it likely that Republicans will capture an unusually large number of open seats in November. (NYT)

Quote/Unquote

Former Secretary of State Henry A. Kissinger, in his eulogy at former President Richard Nixon's funeral: "He stood on pinnacles that dissolved in the precipice. He achieved greatly and he suffered deeply. But he never gave up." (NYT)

Ames, in Guilty Plea, Assails 'Self-Serving' CIA

By David Johnston

ALEXANDRIA, Virginia — In an extraordinary statement delivered minutes before a federal judge ordered him to prison for the rest of his life, Aldrich Hazen Ames said Thursday that he had betrayed his country because the government's espionage agencies had evolved into "a self-serving interest group, immeasurably aided by secrecy."

In a meandering summation that was his first public statement since his arrest on spying charges Feb. 21, Mr. Ames expressed regret for his actions, sorrow at breaking the law and sympathy for those recruited by the CIA in the former Soviet Union who had died because he had disclosed their identities for pay. But he also defended his actions as no more immoral than those of a stock-market speculator who had been caught trading on inside information.

Mr. Ames said two factors had motivated him: protest against what he termed a "shift to the extreme right in our political spectrum" and his alienation from the CIA, which he said had engaged in "self-serving sham" to deceive generations of policymakers about the value of their work.

At the hearing in federal court, Mr. Ames, a 31-year career officer at the Central Intelligence Agency, pleaded guilty as expected to a two-count criminal indictment charging him with espionage and evading taxes on what prosecutors said was more than \$2.5 million in payments from the Kremlin for his spying.

His wife, Rosemary, pleaded guilty to a lesser espionage offense and tax evasion. But her sentencing was postponed until Aug. 26 to put pressure on Mr. Ames to keep his promise to cooperate with the government's effort to assess the damage he had caused.

Mr. Ames faces a sentence of five to six years in prison, but defense lawyers said she could be free in less than five years with time off for good behavior. Representative Robert G. Torricelli, Democrat of New Jersey, a member of the House intelligence committee, criticized Mrs. Ames's sentence as too lenient, but prosecutors defended the plea bargain.

"Did she get off easy?" said Helen Fahy, the United States attorney for the Eastern District of Vir-

ginia. "No, she did not get off easy."

The agreement, she said, "resulted in the maximum benefit to the government that could have been achieved in this case."

The couple arrived at the court house in manacles, wearing the prison clothes they have worn to court appearances since their arrest capped a 10-month spy hunt by the Federal Bureau of Investigation,

whose agents trailed the Ameses, wiretapped their phones, surreptitiously entered their house and electronically monitored their home computer.

Because the details of their guilty pleas had trickled out in recent days, the hearing Thursday seemed to have been drained of drama until Mr. Ames stood and matter-of-factly read his final statement as his wife, seated nearby, quietly wept.

A-Bomb Pioneers Weren't Spies, Group Asserts

By William J. Broad

NEW YORK — The world's largest group of physicists criticized a new book that asserts that the main architects of the nuclear era betrayed the United States by spying for Moscow.

The group called for a federal investigation of the accusations, which it disparaged as unsubstantiated and flawed by serious discrepancies.

The book, "Special Tasks: The Memoirs of an Unwanted Witness — a Soviet Spymaster," was written by Pavel Sudoplatov and recently published by Little, Brown & Co. During the Stalin era, Mr. Sudoplatov was the Soviet Union's deputy director of foreign intelligence and director of atomic intelligence.

The book asserts that the scientists who founded the nuclear era and developed the

atomic bomb during World War II knowingly gave the weapon's secrets to Moscow.

Among those the author accused were Niels Bohr, Enrico Fermi, George Gamow, J. Robert Oppenheimer and Leo Szilard, all of whom are dead.

The physicists' group, the American Physical Society, a 43,000-member organization based in College Park, Maryland, held a news conference Wednesday in Washington at which five experts denounced the book's nuclear aspects as wildly inaccurate and probably fictitious.

The group's council, a 40-member elected body, also issued a statement of condemnation.

The council expressed "profound dismay at unsubstantiated allegations" against "some of the most eminent scientists of this century." The accusations, the council said, "are made by a man who has characterized himself as a master of deception and deceit."

The council also said that surviving colleagues of those accused have pointed out "serious discrepancies" in the book.

For instance, Hans Bethe, who ran the theory division at Los Alamos, New Mexico, the birthplace of the bomb, denounced one of the book's central allegations about Mr. Oppenheimer, the scientific head of the secret laboratory.

The book asserts that Mr. Oppenheimer took special steps to bring in a British scientist, Klaus Fuchs, who then spied for Moscow. After the war, Mr. Fuchs confessed and was sentenced to prison.

Mr. Bethe dismissed the accusation against Mr. Oppenheimer.

"Fuchs was simply part of the British mission," he said. "We didn't choose among them."

Mr. Bethe added that the book's allegations about Mr. Oppenheimer in general appeared to be "a web of lies."

Book and TV Offers May Ease Some of the Pain of Caning

By William Branigan

SINGAPORE — As the American teenager Michael Fay awaits caning on vandalism charges, offers of money for his story are pouring in from television shows, publishers and other quarters.

Mr. Fay, 18, is serving a four-month prison term for spray-painting cars and committing other offenses. Still to come is the outcome of a clemency appeal on the harshest part of his sentence: six lashes with a rattan cane on his bare buttocks. Singapore's cabinet is con-

sidered virtually certain to recommend that the figurehead president, Ong Teng Cheong, reject the appeal.

The irony is that by going ahead with the caning, Singapore appears likely to ensure that Mr. Fay will become wealthy. While the stinging punishment is said to be encouraging the financial rewards of TV, book and movie deals could help to ease the pain somewhat.

"People have been writing us, calling us, offering this and that," said Randy Chan, Mr. Fay's mother. She declined to disclose specifics. "All I would ask for is to have the money back that we've spent on this ridiculous thing," she said.

Mrs. Chan said she had no final figures but that legal fees had cost the family "an incredible amount of money" since Mr. Fay was arrested in October. A British "Queen's counsel," who flew in to argue an appeal, received \$35,000 for a few hours' work, she said.

Ted Simon of Philadelphia, the family's American lawyer, refused to comment about any book, movie or TV prospects stemming from the case.

"Our mission is to save Michael from this horrific caning," he said. The family has discussed some of the offers for Mr. Fay's story but has not reached any decisions, said Mrs. Chan, 46, a native of St. Louis, Missouri. "It's all kind of mind-boggling."

She added that "we're going to be very protective of Mike" once he is released from Queenstown Remand Prison. Mr. Fay, of Dayton, Ohio, was sentenced March 31. With time off for good behavior, he is expected to be released June 21.

"I don't feel that a monetary end to this is necessarily great," Mrs. Chan said. But if her son wants to profit from his ordeal, that would be fine with her, she said.

As for herself, "I plan to write a book, definitely," Mrs. Chan said. She said the family had hoped that Mr. Fay could keep a diary in prison, but authorities would give him only a pen and two sheets of paper to write a letter once every two

weeks. So far, Mrs. Chan said, her son has sent one letter — to his girlfriend.

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States Come to Defense of Job-Seeking Smokers

By Michael Janofsky

NEW YORK — A growing number of private employers around the United States are refusing to hire smokers as a quick-and-easy way to hold down health-care costs. But just as swiftly, state legislatures are coming to the smokers' defense, passing laws that prohibit hiring practices that discriminate against them.

While a hiring ban is a relatively new tactic — less than 10 years old — in the war against smoking, thousands of companies in the United States have forbidden their employees to smoke, even off the job.

Companies say that not hiring smokers not only saves money but also improves safety conditions, cuts down on absenteeism and minimizes the need to train new employees to replace those who retire early because of lung cancer, emphysema and other diseases related to smoking.

When a Lockheed plant in Marietta, Georgia, announced this month that it would no longer hire people who smoke

cigarette, company executives cited a study by the American Lung Association showing that an employee who smokes can cost a company up to \$5,000 a year more in annual insurance premiums than a nonsmoker.

A congressional study said that in 1990, the last year for which figures were available, the direct cost of providing health care to people with smoking-related diseases had reached nearly \$21 billion. And that did not include nearly \$7 billion in lost wages for employees out sick.

"Our goals with this new policy are to move toward becoming a smoke-free facility," said James A. (Micky) Blackwell, president of the Lockheed Aeronautical Systems Co. in Marietta. "Accomplishing these goals will ultimately help lower our costs, improve our competitive position and put Lockheed in a better position to win new business."

The Marietta plant employs about 11,000 people and makes military planes like the C-130 Hercules transport and the P-3 Orion. Beginning July 2, new employees must sign a statement promising not to smoke. The ban operates on the

honor system and means, in effect, that new employees cannot light up even at home. Anyone found by a fellow worker smoking in a bar, restaurant or anywhere else could be dismissed.

The new policy does not affect current employees, who are allowed to smoke at designated places at the plant and anywhere else on their own time.

As aggressive as the hiring ban might appear, similar efforts by other companies have backfired by prompting a stampede of state laws written specifically to protect smokers against such discrimination.

Five years ago no such laws existed. By last year, 28 states and the District of Columbia had enacted legislation to protect smokers, and experts say that anti-smoking initiatives by employers in states that have no smokers' rights law, like Georgia, could ultimately help get one passed.

Federal statutes protect against discrimination in hiring for the broader reasons of race, religion, age and sex.

Away From Politics

• Washington's population loss is accelerating, and nearly equal numbers of whites and members of minority groups are making the exodus. The U.S. Census Bureau estimates that the capital lost more than 29,000 people in the last three years — a decline that almost matches the 31,000 who left during all of the 1980s. Washington's present population is 577,000.

• Timothy W. Spencer died in Virginia's electric chair in Richmond on Wednesday, becoming the first person executed in the United States for a conviction based on the DNA-matching technology known as genetic fingerprinting. He was convicted of raping and strangling four women in 1987. There were no survivors, no fingerprints and no confession. Then DNA tests linked semen from the crime scenes with his blood.

• A new operation eases the effects of emphysema by removing 20 to 30 percent of the damaged lung tissue, according to Dr. Joel D. Cooper, a chest surgeon at Washington University in St. Louis. The Cooper is not a cure for emphysema, a lung disease that results operation from cigarette smoking. But Dr. Cooper said surgery markedly relieved shortness of breath.

• A chartered passenger plane crashed into a fence while landing in foggy weather at Sikorsky Memorial Airport in Stratford, Connecticut, killing seven of the nine people on board on Wednesday night. (NYT)

Clinton Plans to Get Tough on Haiti

The Associated Press

WASHINGTON — President Bill Clinton, in a new turn of policy, intends to apply enough pressure on Haiti's military leaders to force their surrender and permit the return of democracy, according to Madeleine K. Albright, the U.S. delegate to the United Nations.

Mrs. Albright said Mr. Clinton's proposals for tighter international sanctions against Haiti would be ready for Security Council consideration by the end of the week.

"We believe the sanctions will

work," Mrs. Albright said in a broadcast interview on Wednesday night.

Mr. Clinton's policy envisions a global embargo against Haiti, except for humanitarian deliveries, and proposes a ban on international travel by Haiti's military leaders and their allies. Their assets abroad would be frozen as well.

In effect, the policy would make universal the steps that the Clinton administration has already taken on its own.

Although expressing confidence that the administration had come

up with an effective formula for ending the two-and-a-half-year-old political impasse, Mrs. Albright did not rule out the possibility of U.S. military action against Haiti.

Mrs. Albright said Lawrence Pezzullo, a U.S. special adviser on Haiti, was forced to step down this week because "he became identified with a policy that was not really working."

In addition, she said, Mr. Pezzullo had lost the confidence of Haitian democrats and others seeking the reinstatement of the exiled president, Jean-Bertrand Aristide.

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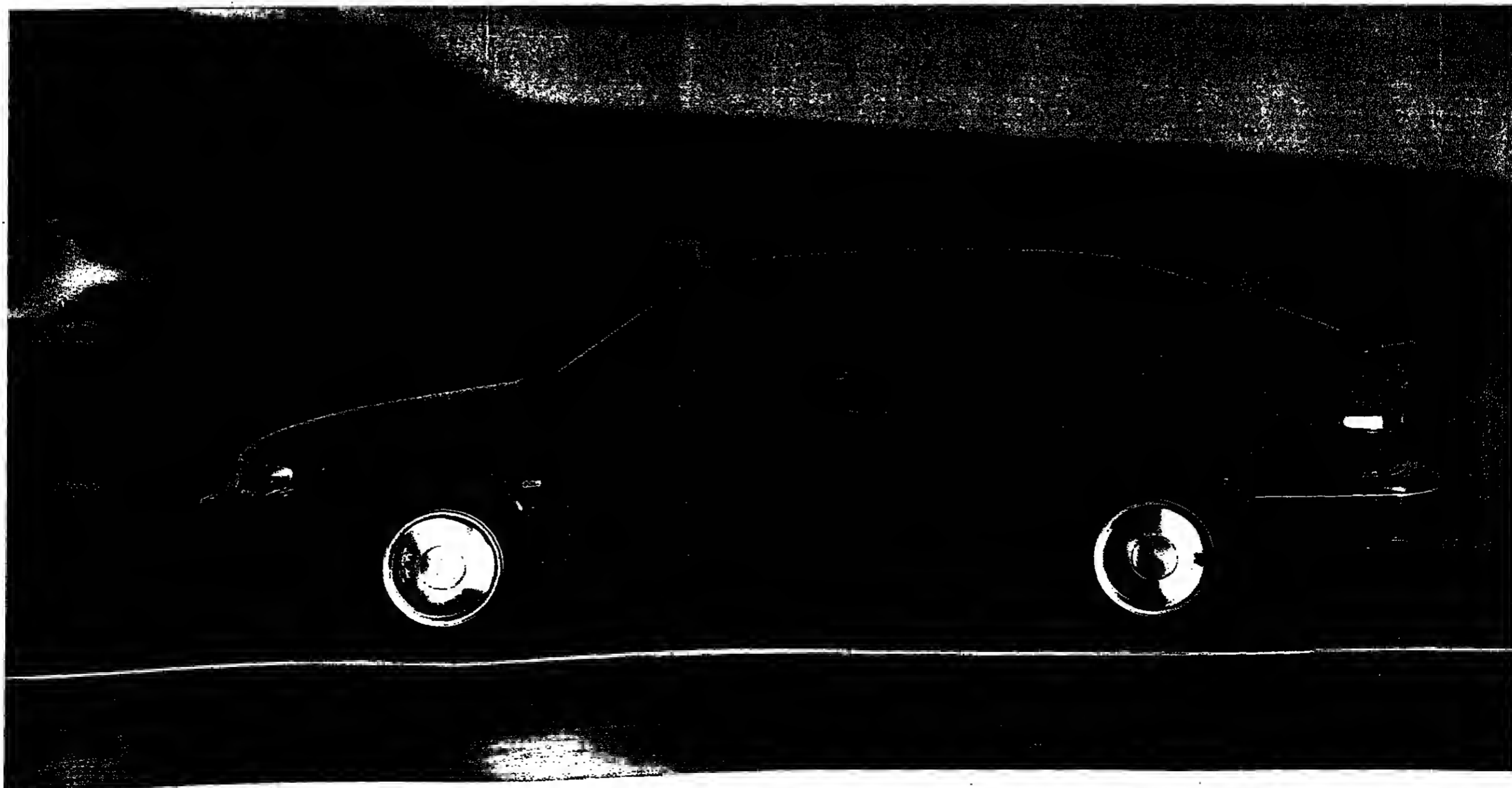
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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Women Get Their Say

In September thousands of people from all over the world will meet in Cairo, at the International Conference on Population and Development, to discuss some of the most urgent problems facing this small planet. At neither of the two previous such conferences, in 1974 and 1984, were women's voices as powerful—or their agenda as broad—as they will be at this one.

That agenda emerged from three weeks of debate, confrontation and aggressive lobbying among delegates from 170 countries meeting at the United Nations this month. True, it is not yet the hoped-for consensus document that could serve as a blueprint for international family planning in the 21st century. But in recognizing that population and development policies must include the empowerment of women, it creates the right context for the Cairo discussions. The draft document acknowledges the inseparability of population control, equal rights, the environment and development.

However, the idea that "giving women real choices," as Nafis Sadik, executive director

of the UN Population Fund, phrased it, could include abortion, or giving adolescents and unmarried women access to contraceptives stirred opposition from the Vatican, which insisted on deleting broad terms like "reproductive rights," "family planning" and "safe motherhood." "This is really a conference about lifestyles," said Monsignor Diarmuid Martin, its delegate, "and when talking about lifestyles in the future of the society we have a lot to say."

Other delegates—among them an unprecedentedly large and forceful group of women—also had a lot to say. Women everywhere, they pointed out, need more than the ability to limit the size of their families: better health services, better education, and, above all, equality and equity with men. Such goals may be elusive, especially in countries where women are still literally chained. That they were part and parcel of the dialogue at the conference, however, signifies a new direction for population policies—and, perhaps, for the world.

—THE NEW YORK TIMES

Backsliding on Free Trade

Canadian durum wheat is now coming into the United States because of the high prices there. To the wheat farmers of North Dakota and Montana, it is an outrage and an invasion of their turf. They want something done about it, and their senators have been in touch with the White House. Although the White House pushed the North American Free Trade Agreement through Congress and hopes to follow it with an even broader worldwide trade agreement, in the meantime it is caving in to the wheat farmers. It has now notified Canada that it is starting the legal process to cut down these troublesome wheat imports.

Why is the price of durum wheat high? One reason is the flooding in the United States this summer. Another is that the United States subsidizes its own wheat exports precisely to get the prices up. The Canadian imports are the direct result of U.S. farm policy. Durum is used mostly to make pasta. With these imports restricted, the price of domestic durum will also rise and the result will be more foreign pasta coming into America from Europe, to the dismay of American manufacturers. The farmers' victory will be won at the expense of the food companies that buy their wheat.

This American action to shut out imported wheat has produced angry rumbles from Can-

ada of a trade war. But perhaps things will not go quite that far. Canada is right in the durum case, but it is on the defensive in other cases as it tries to keep certain American exports—poultry, for example, and dairy products—out of its own protected markets. It seems possible that there will be a deal in which each of the two governments allows its trading rights to be reciprocally violated, up to a point, by the other. That might mean a reduction in Canadian wheat moving south, although not as much of a reduction as the North Dakotans would like, while other American farmers are allowed to send more of their milk and chicken northward.

All of the rich industrial countries regulate and protect their farmers, and they all do it differently. The various national farm subsidy systems will increasingly collide as trade expands, creating furious political quarrels like the durum wheat case. Because of the enormous volumes of trade between Canada and the United States, there are going to be a lot of these disputes. In this one the White House is on the verge of making an expensive concession to protectionism. Too many of them, and the momentum toward more open trade will be lost.

—THE WASHINGTON POST

The Justices Got It Right

Passage of the 1991 Civil Rights Act came after a long legislative battle, the veto of an earlier version and the sort of compromises that make legislation possible. On Tuesday, the Supreme Court of the United States considered the plain language of the statute and the relevant legislative history and concluded, 8 to 1, that the law could not be applied retroactively. The case is a classic illustration of a well-known Washington exercise designed to make law by Congressional Record insert, staged colloquy or committee-report language when the votes to achieve the desired result are not there. The justices now say that won't work.

The law is a broad one written to overturn a number of Supreme Court decisions that interpreted narrowly the civil rights statutes of 1866 and 1964. A version had been passed in 1990 but had been vetoed by President George Bush for a number of reasons, among them its provision making the new law retroactive—i.e., applicable not only to pending cases but also to cases in which final judgment had been rendered.

The president's veto was sustained, but in 1991 a new bill was introduced that also contained a retroactivity clause. In the course of striking a deal to get a bill, that clause was dropped. Nevertheless, plaintiffs in two lawsuits, one from Texas and the other from Ohio, whose cases were on appeal at the time the law was passed, moved to take advantage of the new rights it created. They based their claims on the fact that two provisions of the law, which were not relevant to their claims,

were specifically made prospective in the text. This, they said, implied that the rest of the statute was meant to be retroactive.

The late U.S. Court of Appeals Judge Harold Leventhal once said that a judge's use of legislative history was akin to "looking over a crowd and picking out your friends." In the case of this bill, statements on retroactivity were many and conflicting, and judges relying on legislative history could have decided the case either way. Eight of the justices did review the history and came to the conclusion that it did not support a finding of retroactivity. Only Justice Harry Blackmun disagreed. But Justice Antonin Scalia, the most vehement and scabrous of this exercise, wrote a concurring opinion in which Chief Justice William Rehnquist and Justice Clarence Thomas agreed. He would have ignored all the statements, memorandums of understanding and partisan interpretations of what was being done and relied only on the text of the law, which could have demanded retroactivity, but did not.

This ruling will be a great disappointment to the thousands of plaintiffs whose cases were pending when the bill was passed. But the result is both clear and fair. There is a presumption in the law against taking away rights or imposing new obligations retroactively. It is not allowed at all in criminal cases and should not be done in civil matters without unambiguous statutory direction. The justices were correctly skeptical of claims that Congress intended to do something it clearly did not.

—THE WASHINGTON POST

Other Comment

Nixon's Global Achievements

Richard Nixon will be remembered for reasserting U.S. leadership in world affairs at a crucial period in the Cold War. He was a statesman with an ability to view global affairs in broad strategic terms and, once having done that, locate U.S. interests precisely and pursue them tenaciously no matter how difficult the terrain got. His foreign policy achievements furthered the interests of America, and the rest of the free world, in the make-or-break battle between communism and capitalism. That was evident in the Vietnam War. Even greater achievement was the Chinese-U.S. rapprochement of 1972. There were other successes: the signing of the Strategic Arms Limitation Treaty with the Soviet Union and attempts to resolve the Middle East impasse.

The ignominy of his departure—resignation in the face of certain impeachment—

became a major theme of contemporary American political history. In international terms, Watergate would, given the space of time and reflection, turn out to be only a footnote in history. Richard Milhous Nixon, by contrast, will be remembered as one of the great statesmen of this century.

—The Straits Times (Singapore)

NATO Gets More Convincing

NATO has flexed its muscles again and this time in a more convincing and decisive manner. The Serbs suspended the massacre of the Muslims of Gorazde, but not without hesitating. Who knows if it is really a turn for the better for Gorazde, as well as the other besieged Muslim cities, or if just another of the many tactical moves before the strategic game begins again. Now, however, NATO is playing hard. Finally.

—La Stampa (Turin, Italy)

Is Fear the Only Way To Keep the Order?

By Flora Lewis

PARIS—Just as the utmost limits of international toleration were reached, the Bosnian Serbs appear to have let go of a thoroughly devastated Gorazde. Once again, their wily brinkmanship has achieved key aims and left them to calculate what they can get away with next time.

But grave damage has already been done, not only to the victims and their town, but to the whole network of states and international institutions charged with trying to run the world rationally. More and more, people are wondering whether it is any use entrusting the United Nations, NATO, the European Union, the United States and Russia with the task of order.

Last week, television news quite matter-of-factly displayed how easy they are to defy. After being kept waiting around Sarajevo airport for five days, a convoy of armored UN vehicles finally got permission from Bosnian Serb leaders to proceed to beleaguered Gorazde with observers and medical personnel. But about 20 miles (32 kilometers) from their goal, a couple of hundred women were sent to block the road, an outrageously transparent excuse to break the leaders' word. The UN troops, bewildered, climbed down and stared helplessly at the little crowd. Their command ordered a U-turn, back to Sarajevo. The women blocked the retreat as

well. After long negotiation, to prove that the UN is at the mercy of the aggressors, they were allowed to give up and go away.

I was watching this cat-and-mouse game, the world organization and its powers playing mouse, with a visiting Russian couple. The man, really a gentle, kind, intelligent person, exploded in anger.

"This is what your Western liberal democracy leads to, this is the result of your foolishness," he said. "You take away fear and the whole world goes to pot. Nothing else can make it work. Bomb Belgrade, kill 50,000, and that would be the end of such nonsense."

His wife, a sprightly editor with one of those tragic Soviet family stories, disagreed. "We lived our whole lives with fear, so deep we didn't even know how totally we submitted until a few years ago," she said. "That's not the way, nothing good comes of it."

Of course, there are all kinds of fears—fear of humiliation, fear of looking ridiculous, fear of hurting someone, fear of being caught, dishonored and perhaps punished—and they do shape the way people behave. But this was about fear of brute force, impotent fear of being overwhelmed, fear of certain, terrible pain as the prime mover of societies. Is that all there is to rely on?

Freedom, the rule of law, civic decency is about liberation from that kind of fear. We argued whether



accepting dictatorship. The pained argument dividing Americans on the sentence of caning a juvenile vandal in Singapore is over whether an orderly, safe society justifies, indeed requires, discipline derived from a high level of that fear. International society has no constituted police force or system of justice. The various organizations it has developed are an attempt to build some rules of state behavior based on widespread consent, recognition of mutual benefit in settling disputes without open conflict. That attempt is being undermined by events, especially in Bosnia, but also in Rwanda, Somalia and elsewhere.

It leads to the shocking urge to call for restoration of mortal fear as the only available alternative. This is worse than war, it is abandonment of the very principles that democracies—usually reluctantly—wage war to defend. It is a belief that human beings are so inevitably, incorrigibly perverse that they can find no other way to organize their societies and their world. What an exit from the global fears inspired by the Cold War. It challenges the essential idea of democracy, that people are able to govern themselves more or less acceptably, in a way that the totalitarians never managed to achieve. This is what is at stake now as

leaders herald their first little steps—a European, Russian, American, UN contact group—to "coordinate" a policy on Yugoslavia. They have come near to losing what they call "credibility," a way of saying trust in their wisdom and their will to use human capacity for reason to beat back encroachments of the eternal human jungle.

There is a cost. The rule of law is not self-generating and it always requires enforcement. But if they cannot offer anything else, including joint resolve on military action, the nostalgia for total fear as the one effective means of keeping order will engulf all hopes.

© Flora Lewis

China: Some Grounds for Hope on the Post-Deng Transition

By David Shambaugh

BEIJING—Rumors are once again rife that the post-Deng Xiaoping era is near. China's patriarchy is said to have slipped into a coma, possibly as a result of pancreatic cancer and successive strokes. Whether or not these recent reports are true—and his daughter denied them Thursday—Mr. Deng's last public appearance, in February, hardly inspired confidence. It revealed that he was neither in control of his faculties nor of the country.

The Chinese leadership is clearly nervous about what may happen next. One tangible sign is the presence of increased numbers of para-

For years, China has had a stable society and economy with an unstable leadership. The situation today is reversed.

military and military forces in Beijing. Two corps of People's Armed Police apparently have been moved into the capital. Two hundred thousand of these national police, on behalf of the state, are now stationed in and around the city. Elite guards near Mr. Deng's home north of the Forbidden City have been beefed up. Troops in the provinces have been put on alert. When the paramount leader dies, China's leaders want to have forces in place to preempt or deal quickly with any unrest.

Communist Party leaders have reason to be worried about possible unrest. But they fear instability stemming more from social and economic difficulties than political problems. For much of the past 40 years, China has had a

stable society and economy with an unstable political leadership. The situation today is the opposite. When Mr. Deng goes, the leadership succession is likely to be smooth. There is little chance of midnight arrests and purges resulting from intense factional conflict among Politburo members, as occurred after Mao's death in 1976. The Communist Party and military elite today are relatively united. This is the result of personnel changes engineered by Mr. Deng in 1992-93 that eliminated hard-liners and liberals from the civilian leadership and the Yang Shangkun-Yang Baibing faction from the armed forces high command. Debate over policy exists, but broad factional cleavages are not evident.

Prime Minister Li Peng may be disliked at home and abroad, but he has built a strong power base in the State Council and provinces. His gradualist approach to economic growth has won him kudos and positioned him well to survive the succession. Qiao Shi, China's security czar and a heavyweight figure on the Politburo, is also well positioned for the future.

If the economy continues to overheat, Deputy Prime Minister Zhu Rongji will be held responsible. Mr. Zhu is respected for his no-nonsense approach and bold reforms. But his power base in the party and government is weak, making him vulnerable. Mr. Zhu's style and maverick reforms have made him many enemies.

Jiang Zemin, who holds the office of state president and heads both the party and the army, will be the titular head of China in the post-Deng era. But his staying power is questionable. Mr. Jiang is generally viewed as a transitional leader similar to Mao's chosen suc-

cessor, Hua Guofeng. His ability to retain power will depend on his ties to the military.

However, Mr. Jiang cannot fill Mr. Deng's shoes, and China will lack an emperor figure once Mr. Deng is gone. If Mr. Zhu can survive and tackle the country's economic problems effectively, he could emerge as a strongman in time and push Mr. Jiang aside.

Nonetheless, the political leadership seems cohesive enough to survive the initial succession intact. Its main challenge will be to deal with a plethora of explosive socioeconomic issues. The potential for unrest in both the countryside and cities is high.

In rural areas, farmers have seen their incomes fall for three consecutive years. The state has paid them for their grain in IOUs, not cash. This provoked more than 200 rural riots across China last year. Government offices were attacked, partly because of the fall in farmers' incomes and partly because of unofficial levies they exact from the rural population. The government has tried to alleviate the problem by increasing payments, but the money is being invested by local cadres instead of reaching farmers. Millions in the countryside have no work.

The problems in the countryside have exacerbated large-scale migration within China. Official estimates suggest that 105 million rural residents are trying to enter urban centers in search of work. Unofficial estimates put the number as high as 150 million, of which perhaps 50 million already reside illegally in large cities. They create pressures on housing, food, water and social services that municipal governments cannot meet.

Urban areas are already hit hard by rapidly rising inflation, and it is getting worse. According to some estimates, prices have soared in

major cities by up to 50 percent in recent months. Inflation, especially for food, is no longer affecting only retirees and fixed-income earners, but all urban dwellers. There is much grumbling in China's cities today.

Rampant graft and rising crime add to the sense of instability. The government's anti-corruption campaign, though highly publicized, is having little effect. One reason is that the police and security services are deeply involved in the black-market economy and are frequently paid to look the other way.

Perhaps the most explosive problem facing the government, however, is in the state industrial sector. Half of China's 13,000 medium and large state factories run at a loss, while one-third operate near the margin. The subsidies required to keep these socialist behemoths afloat led to a quadrupling of the budget deficit last year.

The government wants to allow the worst cases to go bankrupt but cannot risk the high unemployment that would result. Workers in state factories are already being paid only part of their salaries in cash, and absenteeism is high. There are numerous reports of wildcat strikes and demonstrations in several regions.

The government is sitting on a tinderbox in the state industrial sector. The country's Communist leaders are well aware of the political potential of an aroused proletariat. Thus, as China faces the post-Deng future, the forces for instability and unrest are on the increase. It could be a long, hot summer for the Chinese leadership.

The writer is senior lecturer in Chinese politics at the School of Oriental and African Studies, University of London, and editor of The China Quarterly. He contributed this comment to the International Herald Tribune.

Unification Is Korea's Real Challenge, and It's Not That Far Off

By Philip Bowring

SEOUL—Forget the nuclear issue for the moment. The most troubling thing about North Korea, as seen from here in the South, is how to manage unification. That may seem a distant dream as the two sides show little interest in each other. But it could, with little warning, become a current nightmare. The consensus is that it will happen in this decade. But the South's desire for unity is at odds with other burning national imperatives: to catch up with Japan, the erstwhile colonizer, and the United States, the erstwhile savior from communism.

Unification is not talked about much. But it is a nagging concern in a country that otherwise has every reason to feel pleased and confident.

South Korea has achieved a remarkably smooth transition to a civilian-led democracy. Labor unrest is on the wane. The economy is back up to 7 percent growth, led by investment and exports stimulated by the over-strong yen. A very high proportion of Koreans are in the most productive age bracket: 20 to 45.

Self-confidence, the Uruguay

Round of trade talks and the goal of joining the Organization for Economic Cooperation and Development have conspired to take some of the edges off of chauvinist and mercantilist sentiments. The financial market is slowly being opened up. Rice imports are to be permitted.

It is possible to envisage, say by 2030, a united Korea with a population two-thirds that of Japan and a correspondingly high GNP. But excellence—devoting more resources to higher technology and achieving living standards on par with the developed nations—is at odds with uniting a peninsula of such stark differences. Unity is at odds with the trends to "internationalization" and "globalization"—today's catchwords in Seoul, where they get as much press coverage as the nuclear issue.

"Internationalization" means opening up an economy that has admitted foreigners reluctantly, and plugging into the best of the rest of the world to offer. "Globalization" means increasing the clout of Korean companies, brand names and technology around the world.

Yet unification would likely turn the country in on itself. It might revalue more permanently to isolation. The problems Germany has faced pale in comparison. West Germany had per-capita income about 3 times that of the East; South Korea's per-capita GNP is anywhere from 4 to 10 times that of the North.

Officials and think tanks in Seoul believe they have learned lessons from Germany. The main one is the need for a gradualist approach, starting with cross-border trade and investment, which will slowly begin to equalize incomes and infrastructure. But it is unlikely the political forces at work can be so easily ordered.

Two years ago there were high hopes for gradualism. Trade was beginning. Industrialists in the South were talking of moving labor-intensive industries like shoes and garments to the low-wage North, and

reviving the North's antiquated infrastructure. But the nuclear issue and Pyongyang's fears of the political consequences of any economic opening brought this to a halt. Time has been lost. Kim Il Sung is that much nearer the grave. Manufacturers have been mechanizing production or moving it offshore, especially to China's nearby Shandong Province.

Traditional virtues of the relative economic strength of North and South have had to be revised. The South's old light industries are now down to 20 percent of exports, having been largely replaced by skill- or capital-intensive electronics, steel, cars, chemicals and capital goods. South Korea has broadened its markets, so that the United States accounts for only 21 percent, against 35 percent in the mid-1980s. While the South has become a major exporter of steel, the North, traditionally the home of heavy industry, has seen steel output stagnate. Its steel exports are now just one-fifth those in the South, produced from antiquated plants.

The North's only obvious resource is labor. It has one million men in uniform. Some 35 percent of its work force is still on the land, double the percentage in the South. Nonetheless, the North is only part way to becoming an industrialized society. The South is already well into the services

age; manufacturing's contribution to GNP is on the decline, and construction, as well as financial and leisure services, are rising steeply.

Bringing the North up to the South's living standard will cost an estimated \$500 billion to \$800 billion over 10 years.

The figures speak volumes about the sacrifices the South will eventually have to make in the name of unity. It will also have to cope with the social and political impact of absorbing 22 million people whose only bonds with their counterparts in the South, albeit strong ones, are language and Korean identity.

Every year the education and expectations gaps widen; so does the income divide. North Korea is a scarcity cut off like no other on earth; in the South, almost 10 percent of the population will travel overseas this year.

It is difficult to comprehend how these societies can be brought together without intense trauma.

That is why many in the South think as little as possible about their Northern brethren. They prefer to look ahead, with the optimism of true believers in the virtue of education and scientific progress, to a world full of Korean cars, communications satellites, pianists, foreign travel and inventions. It is a magnificent vision. But it is only one half of the future.

International Herald Tribune

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: German Politics

BERLIN—Who would ever have thought that (Finance Minister) Dr. Miquel could have begun to make advances to Count Caprivi? Yet it must be admitted that they are on the point of fraternizing again behind the scenes. This is the latest surprise in party tactics to which we have been treated. It is well known that two weeks ago Count Caprivi hastened to accept an invitation to a sumptuous dinner given by the Minister of Finance. At this dinner the two conferred for an unusually long time.

1919: 'Work of Fiends'

PARIS—"We shuddered as we gazed. Could this be the work of men or of fiends? Can such words be heeded? Can the beings who inflicted them ever obtain forgiveness?" These were the queries that expressed the dominating impressions gained in a hurried visit on Sunday (April 27) to the trenches and battlefields of Lens,

Arras, Péronne, Chaumes and Noyon by Mr. Hugh C. Wallace, United States Ambassador to France. He returned with increased admiration of the French nation and a greater appreciation of the hardships that has been endured so heroically.

1944: Canned Leaflets

LONDON—[From our New York edition:] The secret is out regarding the small round tins which American flyers dropped over Germany and which Nazi authorities cautioned the populace against touching. The tin is important, but harmless—merely a device our airmen have been using to pin-point propaganda leaflets. Previously, when leaflets were dropped from a high altitude they often were carried by the wind far from their target. The United States Air Service Command thereupon developed the tins, which include a barometric release. When the bundles reach the correct heights air pressure trips a lever in the tin, releasing the leaflets.

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Traveling to Burma: Some Things Change, Most Don't

By Philip Shenon
New York Times Service

YANGON, Burma—For travelers, much has changed in Myanmar, the long-isolated nation still better known to the outside world as Burma. But much else—most else, in fact—has not changed in the Golden Land. For that, adventurous travelers should be grateful.

Myanmar is the last of the truly magical destinations of the Orient, a Technicolor glimpse of Old Asia perfumed with sandalwood and speckled with ginger. It is the most devoutly Buddhist nation on earth, a land of glistening gilded pagodas and hand-carved sandstone temples tended by hushed, safe-robed monks.

In Myanmar, there is fecund jungle and barren, sun-blasted desert, long peat-white beaches in the south and, in the north, the snow-dusted foothills of the Himalayas. In the geographical, spiritual and historical center of the nation is the astonishing pagoda-studded plain of Pagan, the 1,000-year-old imperial capital.

Unhappy for Myanmar's 43 million people, what is also unchanged is the military government, which calls itself the State Law and Order Restoration Council and is known by the Orwellian acronym SLORC. It remains

one of the most oppressive regimes in Asia, with a human-rights record that would be charitably described as dismal.

Since 1991 I have been traveling to Myanmar and the changes in the country's economic climate and in its attitude toward foreign visitors have been impressive.

Evidence of the changes is seen first at the newly renovated airport in Yangon, the capital. Gone are the throngs of strong-clad teenagers who once packed the arrivals hall to beg for anything they could sell. Burmese friends of mine insist that the teenagers were not chased off by the police; they have simply found better ways of making money in Myanmar's free markets.

Until a few years ago, Myanmar could be tough on a visitor's wallet. The government used to require tourists to change money at an outrageous official exchange rate—then, as now, about 6 Burmese kyats to the dollar—instead of the black-market rate that is today about 120 to 1. Then came the junta's decision in the late 1980s to embrace the free market after a generation of disastrous central planning, the so-called Burmese Way to Socialism, and to reopen the country to large numbers of foreign tourists.

In March, tourist visas were extended from two weeks to a month. (In the late 1980s they were good for just seven days.) The only major currency requirement left today is that

visitors exchange \$200 into what are called Foreign Exchange Certificates, which are issued in dollar denominations and can be freely changed into Burmese kyats at the black market rate. Also gone is the requirement that visitors join organized tours and stay only at government-approved hotels.

The result of the market reforms has been a building and renovation boom that is most obvious in Yangon, the leafy capital that was called Rangoon by the British.

The 2.5 million people of Yangon enjoy life in one of the most civilized if most dilapidated capitals in Southeast Asia. The open-air markets, the lifeblood of Burmese commerce, are crowded late into the night with shoppers who consider the markets as much entertainment as necessity.

Steamy afternoons are well spent in the shade of the grand old colonial-era buildings downtown, sipping a cold drink from one of the small street-side cafes as a world little changed from the 19th century passes you by.

While the generals disparage Myanmar's colonial heritage, they have guaranteed that at least one important relic of colonial Burma will remain standing: the legendary Strand Hotel, once home to kings and presidents, which was reopened last November after a three-year, \$12 million renovation.

This sort of world-class luxury carries a world-class price. Rates start at \$200 a night.

Elsewhere in Yangon, grand colonial-era homes are being converted into private inns, most notably the newly renovated Mya Yeik Nyo Royal Hotel, once the mansion of a prominent Burmese banker.

The Shwedagon Pagoda, the shimmering golden stupa that towers over the city, is the sight that most cannot be missed in Yangon. Said to encase eight hairs of the Buddha, the 326-foot-high (99-meter) temple is the center of Buddhist life in Yangon, and every day thousands of Burmese pilgrims slowly climb the hill to the pagoda terrace to offer veneration.

THE best route to the terrace is up the covered southern stairway, which is lined with dozens of tiny shops that sell "miraculous goods"—fresh flowers, joss sticks and paper umbrellas that are meant to be left behind as offerings. Tradition demands that all visitors to the Shwedagon walk clockwise around the pagoda, with the stupa to their right.

Directly opposite the Shwedagon is a new, smaller stupa known to most Burmese as Ne Win's Pagoda, named for General Ne Win, the dictator who ruled the country from 1962 to 1988 and who is still believed by many of his countrymen to run the show in Myanmar. The general is said to have built the pagoda to atone for his many earthly sins.

Ne Win's nemesis lives across town, and it may be worth driving past the closed gate at 54 University Avenue if only to honor the indomitable spirit of the woman trapped inside: Aung San Suu Kyi, the Burmese democracy campaigner and Nobel Peace Prize winner who has been under house arrest since July 1989.

Traveling to Myanmar is easier and safer than it used to be. The junta realized that to attract more visitors it had to overcome the publicity that its flag carrier, Myanmar Airways, had brought on several crashes. Last year the government created an airline in a joint venture with Singaporean investors. Myanmar Airways International flies a new Boeing jet, leased from the Sultan of Brunei, on routes to Bangkok, Hong Kong and Singapore.

It is said that the safety record of Myanmar Airways improved dramatically after management dropped a rule requiring that flights take off on time, no matter what the mechanics' advice. I was therefore grateful to arrive in Mandalay an hour late, but safely.

Despite the city's lyrical name, the charms of Mandalay take a while to sink in. Mandalay is in the middle of the country's northern dry zone, and for much of the year it is dusty and oppressively hot.

The city is home to some of Myanmar's most precious Buddhist shrines, including the

Mahamuni Pagoda, which houses a 12-foot-high Buddha image caked with so much gold leaf, inches and inches thick of it, that the body is grossly misshapen.

Mandalay delights in its reputation as the center of Myanmar's new, officially sanctioned free market, and the city literally shakes from the sudden arrival of capitalism. The city has become a giant construction site. Given its proximity to the Chinese and Indian borders, the road to Mandalay is well traveled by Asian traders.

A six-hour drive southwest from Mandalay—half an hour by plane—is Pagan, one of the wonders of the ancient world and certainly the most remarkable site in Myanmar. Once one of the most prosperous and important capitals in Asia, today the city is a temple-strewn ghost town.

Pagan resulted from a period of extraordinary religious fervor that lasted from the 11th to the 13th centuries, when a series of great Burmese kings built thousands of pagodas and other structures over 30 square miles (78 square kilometers) of the plain.

There is not much use trying to improve on the description of Somerset Maugham, who in 1930 stood atop the tallest pagoda, That-binyu, and wrote that the pagodas "loom huge, remote and mysterious, like the vague recollections of a fantastic dream." The scene is just as Maugham left it.

The Best of Kyoto on Its 1,200th Birthday

By James Sterngold
New York Times Service

KYOTO, Japan—When Emperor Kammu decided to build a new capital for Japan a little more than 1,200 years ago, he had two basic aims. He wanted to revive imperial rule by getting away from the powerful Buddhist priests in the old capital of Nara, and he sought to construct a city with a magic combination of attributes that would allow it to flourish for centuries.

Kyoto, as the imperial capital became known, never obtained political power. A series of warlords based in other parts of the country exercised the real authority.

But the imperial court's geomancers certainly got one thing right: They chose a beautiful site, bordered on three sides by mountains, and the city was constructed along a Chinese-style grid that still makes it one of the easiest Japanese cities to get around. The Chrysanthemum Throne made its home here for nearly a millennium, helping Kyoto become the center of a remarkably rich culture with an uncannily penetrating aesthetic.

As Kyoto celebrates the anniversary of its founding at the beginning of what is known as the Heian era, it is showing its best face. Most of the city's temples and other sites will be in their finest repair in years and visitors will be able to see a number of artworks that are not usually on display.

Kodaiji, a temple complex in the beautiful Higashiyama district in

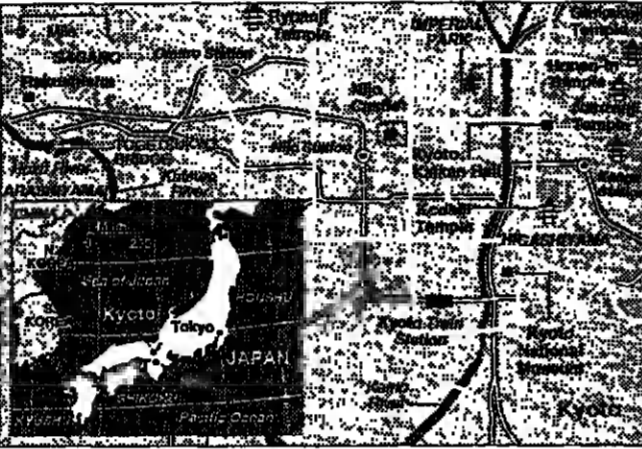
the eastern part of the city, will open its grounds at night this year until May 8. The entrance fee is about \$4.50, open 6 to 10 P.M.

The Kyoto National Museum will feature a special exhibition of arts from the Heian period, which began with the construction of Kyoto and ended nearly 400 years later. The show, which runs to May 15, will include works collected from all over Japan, including garments, furniture and scroll paintings. The museum is open daily except Monday, 9 A.M. to 4:30 P.M.; entry fee \$12.50.

The musicians of the Imperial Household Agency will perform ancient court music and dance at the Kyoto Kaikan Dai-ichi Hall on June 11 at 3:30 P.M. Tickets, which cost about \$38 and \$48, are available at the Pia ticket stands in major Kyoto department stores (224-6000), or can be reserved by calling Osaka, 363-9999, until June 5.

At the Mifune Matsuri, a wonderful waterborne festival on May 15, an array of boats will float along the Hozu River, in Arashiyama in western Kyoto, carrying actors, singers and musicians dressed in Heian-period court costumes. To attend the performances, take the Keifuku Arashiyama train line to its western terminus, and then walk the three minutes to the Togetsukyo bridge.

Begin a visit to Kyoto with a walk to the huge main gate at Nanzenji, a rambling Zen Buddhist temple complex in the eastern part of the city. It lies a short walk north of the Keage stop on the Keihan-Keishin train line. The Sanmon, or Mountain Gate, is a masterful dis-



play of traditional Japanese carpentry, and there are some lovely paintings of phoenixes on the ceiling of the second floor. The upper floor offers a spectacular view of the city on three sides and the plain southward, which is now covered with a dense urban sprawl.

Heading north from Nanzenji is the Philosopher's Walk, a path that follows a canal once trod by a famous early-20th-century philosophy professor, Kitaro Nishida. The walk can be done in 45 minutes or less. Its terminus is the famous and usually jam-packed Ginkakuji, or Silver Pavilion.

In the northern part of the city, one of my favorite temples is Ryoanji, which is a short walk from the Omuro train stop. It has the most famous rock garden in Japan. (The entrance fee is about \$3.85 and the temple is open daily, 8 A.M. to 5 P.M.)

Nijo-jo is not Japan's greatest castle, but it may be its most sumptuous. The castle lies in the middle of Kyoto, a short walk from the Nijo stop on the San'in main line subway. Its huge rock ramparts are sculptural, and the shogun's meeting rooms inside were built with magnificent craftsmanship and artistry. (The entry fee is about \$4.80 and the hours are 8:30 A.M. to 4 P.M. daily.)

The Kamigamo Shrine, one of the oldest in Kyoto, is nestled into the thick wooded hills of the northern

part of the city, and has an unusual garden marked with strange cones of white sand. The shrine is a 10-minute taxi ride north of the Kita-Oji subway station, the northern terminus of the train.

If you want to absorb the essence of Kyoto culture along with some classic cuisine, you could hardly do better than lunch at Izumi. Situated at a subtemple inside the great temple complex of Daikokuji in Kyoto's north, Izumi serves *shojin ryori*, or temple food. The classic vegetarian fare consists of a number of vegetables and various kinds of tofu. The set menus run from about \$29 to \$63. Daikokuji can be reached by either the No. 206 or 207 buses from Kyoto station. (491-6665, open 11 A.M. to 3 P.M., daily except Thursdays.)

Another excellent temple restaurant is Okutan, in a perfect garden in Nanzenji, which is a short walk to the north of the Keage train stop. Okutan serves only a special tofu set menu, at about \$29. (771-8709, open daily except Thursdays from 10:30 A.M. to 6 P.M.)

Imoto Hiranoya Honten is a cafe set inside the north gate of Maruyama Park, adjacent to the Gion district in the heart of Kyoto. It specializes in *imono*, a local variety of potato and dried cod simmered in a broth. Set menus run from about \$19 to \$39. It is a 10-minute walk from the Shijo station on the Keihan main line train (561-1603, open 10:30 A.M. to 8 P.M. daily; reservations suggested).

In the main shopping district, along Shijo Dori, one of the city's main east-west avenues, you can have an excellent, earthy meal at Takocho, a 100-year-old pub that serves a kind of stew called *oden*. Customers choose their dinner from among the items bobbing in the rich broth of a steaming copper pot set in the counter. These range from tofu to stuffed cabbage and a local delicacy, fried whale skin.

THE MOVIE GUIDE



Mary Stuart Masterson in "Bad Girls", left; "The Inkwell" director Matty Rich.

"Bad Girls"

Directed by Jonathan Kaplan. U.S.

Jonathan Kaplan must have been plumb loco when he womanized the western in "Bad Girls," an uproariously bad spaghetti-western that stars Andie MacDowell, Madeleine Stowe, Mary Stuart Masterson and Drew Barrymore as a quartet of trick-rick-draw cowbells. Kaplan, who directed this unintentional spoof, apparently didn't see the humor in making "The Wild Bunch" in bustiers. Set near the turn of the century, the story is sadder than Hoss's horse after a clip around the ranch. The script's only twist involves the protagonists' sex, though not their politics. The *Bad Girls* aren't exactly kindling campfires with their bras. They are, in fact, prostitutes, which as every Hollywood producer knows, was the only career opportunity open to women of the Old West. Chased by Pinkerton detectives and an angry mob of religious zealots, the four women gallop out of Echo City and off into the sagebrush. Over a campfire, they agree to open a sawmill. Basically these girls aren't bad, they're

"The Inkwell"

Directed by Matty Rich. U.S.

If you crossed the 1970s sitcom "Good Times" with "Dirty Dancing" and threw in a vintage beach-party movie, you might end up with a film like "The Inkwell," a serious comedy that frantically dashes about in an elusive search for coherence. A rowdy farce one minute, a political tract the next, the movie eventually turns into an improbable coming-of-age drama that strains for poignancy it never begins to evoke. This is the second movie by the young director Matty Rich, who made a promising debut with "Straight Out of Brooklyn." The movie follows the adventures of Drew Tate (Lance Reddick), a shy 16-year-old from upstate New York, when he and his family spend two weeks with well-to-do relatives

Pas Tres Catholique

Directed by Tonie Marshall. France.

Maxime (Anémone) is a private detective in a seedy agency, and almost as louche as the characters she investigates. Lawless in her lifestyle, reckless in her driving and careless in love, she keeps stumbling into ghosts from her past lives, and gets bruised in the collision. This is a comedy with melancholy currents and a loosely woven plot. Years back, Maxime ditched a snuffy husband and walked out on her child, now she is on the case of an arsonist who turns out to be the ex-husband (Bernard Verley); she also discovers her son (Grégoire Colin), who is much more "clean" and "cool," as the French say, than his unruly mother. Anémone is an original, *pas très catholique*, (not strictly kosher) actress who hails from the café-theater and has kept a personal sense of timing—sheer unpredictability is her specialty. Her Maxime has a luring, round-shouldered walk, as if she never knows where she's headed, a moody long hair that lights up when she falls in love. Writer-director Marshall has crafted a fine portrait of an independent woman, a slagger who delivers pungent lines, yet knows when to hold her punches. (Joan Dupont, IHT)

THE MONKEY INTRODUCED HIMSELF TO THE ASTONISHED GUESTS by swinging from tree to tree in the lush tropical gardens beneath the balconies of their first floor suites. He made his surprise appearance last month, and has reputedly now made Raffles Hotel his home.

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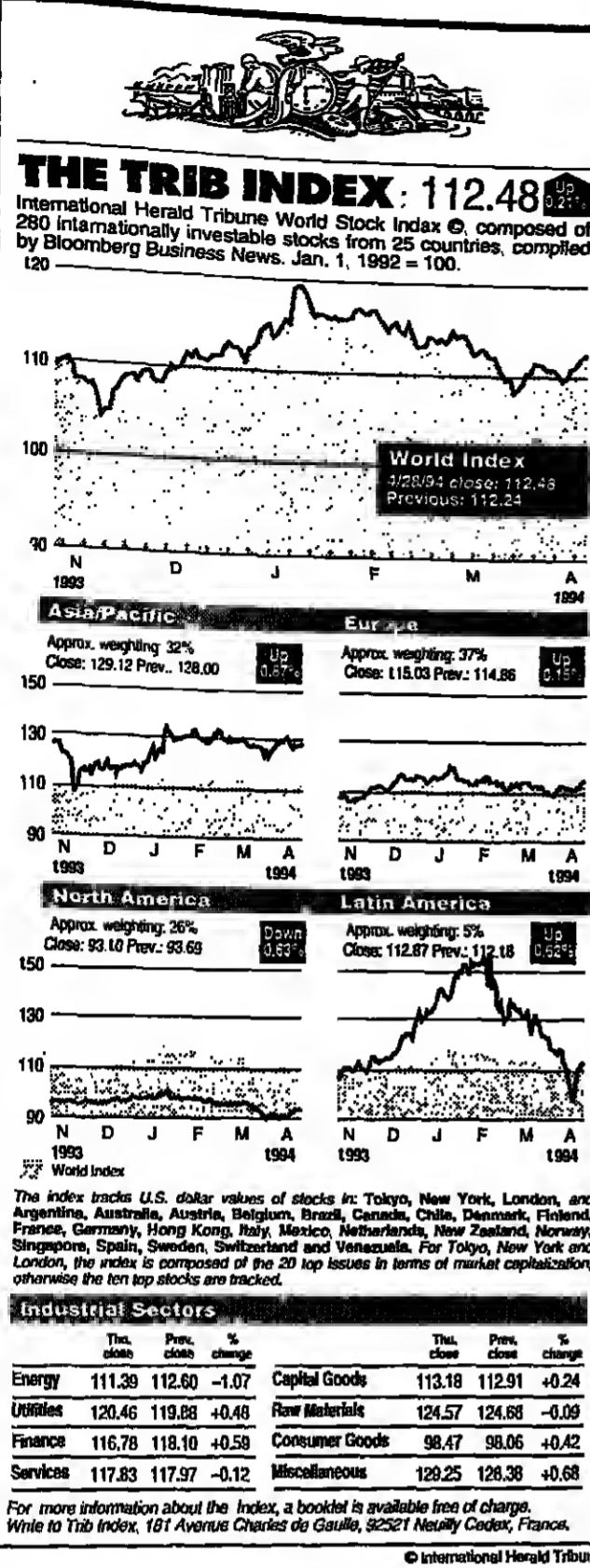
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International Herald Tribune, Friday, April 29, 1994

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When the Music Stopped, Schneider Couldn't Face It

By Alan Friedman and Brandon Mitchener
International Herald Tribune

KONIGSTEIN, Germany — Outside the lavish office suite that Jürgen Schneider once occupied on the ground floor of his mock-Tudor castle in this wealthy Frankfurt suburb, the unmistakable strains of a Frank Sinatra melody were wafting from a Steinway. And there, gathered around the baby grand piano on Wednesday afternoon, were a dozen employees of the missing German real estate developer. He disappeared at Easter with \$128 million of pocket money and left behind 5 billion Deutsche marks (\$3 billion) of bank debt and the country's biggest real estate bankruptcy.

Just a day before, the staff had learned that an arrest warrant had been issued charging their former boss with fraud, while they were about to be fired by the company's court-appointed receiver.

Thus, in one of those surreal moments that life

occasionally serves up, they were holding an impromptu concert at the castle. A member of Mr. Schneider's board of directors, gesturing at the twin chandeliers of his office and its satin-covered walls, listened to Sinatra's "My Way" and noted with grim irony: "Schneider certainly did it his way!"

What, exactly, Mr. Schneider's way was — and specifically, how he got away with it — was what officials from the Frankfurt prosecutor's office and bank creditors were still trying to figure out even as the staff surveyed the last vestiges of his crumbling empire.

The German media has portrayed Mr. Schneider, 59, as a sophisticated con artist, and on Wednesday company insiders disclosed they had found records of what they believe were bribes paid by Mr. Schneider to appraisers that allowed him to inflate the value of his properties and dupe his bank lenders. These lenders are led by Deutsche Bank AG, with 1.2 billion DM of loan exposure.

But interviews with Mr. Schneider's colleagues,

aides, bankers and business associates suggest that he was less an evil genius and more, as one fellow board member put it, "a fundamentally megalomaniacal and nouveau-riche" figure of the 1980s.

The picture that emerges is of an entrepreneur who began his company only 10 years ago, and was ultimately unable to manage the business he had built, and unwilling to delegate responsibility. His abrupt departure was apparently less a conspiracy he had planned for many months than a manifestation of human weakness in the face of failure. In short, Jürgen Schneider realized he could not keep his creditors at bay much longer, and he panicked.

When Mr. Schneider and his wife, Claudia, vanished, few people were more shocked than Gabriele Eick, a 42-year-old businesswoman he had hired away from her post as head of Frankfurt's economic development corporation. Ms. Eick joined Mr. Schneider at the castle just two months ago, having capped her

career by negotiating the future Frankfurt home of the European Monetary Institute with Alexandre Lamfourey, its president.

Ms. Eick described her missing boss as "a very determined man, a doer." But she said she became increasingly frustrated during her brief spell at the company. Dr. Jürgen Schneider AG, because Mr. Schneider never revealed his company's revenue, or profit or loss, to his own board.

Company executives, who spoke on condition they not be identified, said the key to understanding how Mr. Schneider built up his empire so quickly was the way he bought prestige properties at premium prices and financed them with bank loans from Deutsche Bank and four dozen other institutions. What the banks did not know was that the valuations of some of his biggest properties were allegedly inflated by out-

See SCHNEIDER, Page 13

Delta to Eliminate 20% of Work Force

Bloomberg Business News

ATLANTA — Delta Air Lines Inc., facing an onslaught of competition from low-fare rivals, on Thursday unveiled a restructuring plan that includes as many as 15,000 job cuts by next June.

The announcement came as Delta said its loss for the first three months of 1994 narrowed to \$77.8 million from \$152.3 million a year earlier. Delta has racked up more than \$1.9 billion in losses since 1991, with only one profitable quarter in the past two years.

Delta, the third-largest carrier in the United States, aims to lower its annual costs by \$2 billion by mid-1997. The Atlanta-based carrier said it would cut its staff between 12,000 and 15,000, or as much as 20 percent. Some staff cuts will come through layoffs.

Delta said it will take a charge of from \$400 million to \$600 million in the quarter ending June 30, the fourth of its financial year, to cover the restructuring.

Investors liked the restructuring, which the chief executive, Ronald Allen, called the "most important effort in the history of Delta Air Lines." The stock rose \$1.875 to close at \$45.25 on the New York Stock Exchange.

Delta expects to eliminate at least 9,000 jobs by June 1995 and

said it probably will begin firing employees this year. Last year Delta snapped a 36-year no-layoff policy, cutting about 500 pilots.

"Delta has to streamline to survive," said Sam Buttrick, an analyst at Kidder Peabody & Co. "If they didn't do this, they'd simply die on the vine."

Delta explored the option of creating its own subsidiary that would mimic the efficiencies of these low-cost rivals, notably Southwest Airlines. But Delta management decided that the plan would cost too much to implement.

Still, Delta said the restructuring probably would result in a higher frequency, low-cost operation in certain short-haul markets as costs are lowered.

Other parts of the restructuring include the launch of a profit-sharing program for personnel other than pilots by June, the assigning of some airport operations to outside companies, a reduction of \$400 million in marketing costs and the grounding of planes to save as much as \$150 million.

Delta said its goal was to cut costs to an average of 7.5 cents per available seat per mile by June 1997. Delta's 1993 unit cost was 9.26 cents. Southwest, the low-cost leader, has a seat-mile cost of about 7.25 cents.

U.S. GDP Growth Slows to 2.6% But Markets Fear Inflation and Bonds Plunge 2 Points

By John M. Berry
Washington Post Service

WASHINGTON — Restrained by bad weather, sagging exports and a big drop in federal government spending, the U.S. economy slowed to a 2.6 percent annual growth rate in the first three months of the year from the exceptionally strong 7 percent pace recorded late last year, the Commerce Department reported Thursday.

Investors and traders apparently did not share that assessment. Long-term interest rates started to rise shortly after the GDP report was released and bond prices, which move down when yields go up, fell even more sharply later in the day. At the close, owners of 30-year U.S. Treasury bonds had lost more than \$20 for each \$1,000 face value as the yield reached 7.26 percent, up from 7.10 percent on Wednesday.

The rise in interest rates also sent stock prices tumbling, with the Dow Jones industrial average falling 31.23 points, to 3,668.31.

Some analysts said one reason for the bond sell-off was that a close reading of the GDP report suggested that much of the slowdown in growth was related to weather and that recovery from those delays would push growth to 4 percent or 4.5 percent during the current quarter.

Market analysts also said the higher yield may have been a response to an apparent worsening of inflation as measured by the fixed-weight price index. The index, one of two inflation indicators released with the quarterly figure, rose at a 2.9 percent rate, compared with 2.3 percent in the previous quarter.

Government officials and most private analysts saw the small rise in the inflation-adjusted gross domestic product as a plus for the future.

"Overall, today's report should calm fears that the economy is growing at an unsustainably rapid rate or that inflation is about to spike upwards," Laura D'Andrea Tyson, chairman of the Council of Economic Advisers, said at the White House. "The numbers indicate that the economy remains on track for growth of about 3 percent, the creation of about 2 million new jobs and an inflation rate of about 3 percent for this year."

There were no precise estimates of the effect of a series of bad winter storms in the Eastern part of the country and the earthquake in Los Angeles in January. Some of the losses were made up in March, late in the quarter, as consumers flocked to stores and rebuilding efforts in Los Angeles surged.

Many private forecasters said economic growth should pick up during the current

quarter, with GDP likely to rise at a rate of 3 percent to 3.5 percent. If this happens, it would put growth for the first six months of the year close to the U.S. administration's forecast.

The largest factor in the first-quarter rise in U.S. production came in the automobile industry. With assembly lines running close to capacity, the industry turned out so many more new cars and light trucks that the increase was equal to three-fourths of the entire gain in GDP. Most of the vehicles were sold to increasingly confident consumers and to businesses while some were added to those on dealers' lots.

Based on current production plans, however, auto output is slated to fall a bit in the second quarter. But overall growth should nevertheless pick up during the quarter as consumer spending and business investment continue to rise while exports provide less of a drag after their weak performance in the first three months of the year.

After being unchanged in the final quarter of last year, government purchases of goods and services fell at a 6.2 percent rate. Part of the decline was related to weather, as construction projects of federal, state and local governments were held up. The major factor was falling military spending, which was down at a 13.9 percent annual rate, a decline that Mrs. Tyson called "unsustainably large."

Business construction projects were also delayed, while home construction was stronger than most analysts had been expecting.

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WALL STREET WATCH

Kemper Argues Its Value

By Mitchell Martin
International Herald Tribune

PARIS — David B. Mathis, chairman of Kemper Corp., is fighting a battle against conventional wisdom on Wall Street. He said Thursday that analysts are not sufficiently optimistic about his financial conglomerate's earnings prospects, and that their projections are too low.

Their caution might cost him his job. On Thursday, he won a small victory in his battle to ward off General Electric Co.'s takeover attempt when Kemper reported earnings that were higher than analysts' average estimates.

Additionally, Kemper Corp. said Thursday that its major shareholders support the board's decision to reject the \$2.3 billion offer from GE Capital Corp., GE's finance arm. Mr. Mathis, in a letter to Gary Wendt, GE Capital's chief executive, rejected GE's offer for the third time.

But if Kemper is taken over, Mr. Mathis will have been a victim of his own success. He was promoted to chairman two years ago, and since then the company has recovered from a disastrous period that largely reflected problems real estate and an unruly mix of subsidiaries. Kemper had taken equity positions in commercial properties to which it also was a lender and was heavily exposed to weakness in the California and Midwest real estate markets.

Kemper's stock was hit in February 1992 by the company's decision to post a \$135 million reserve for its real estate holdings and its announcement that \$234 million of the properties were impaired. Its shares fell from a January price of more than \$46 to \$20.75 by late August of that year. Since then, however, the stock has risen as a slew of restructuring efforts came into force. Chicago company's five brokerage subsidiaries into one, inte-

grated the two life insurance units, and reduced the stake held in Kemper by Lumberman's Mutual Casualty Co. to about 4 percent from nearly 40 percent. The last step amounted to a huge stock buyback. Mr. Mathis noted, as well as making Kemper vulnerable to a takeover bid.

The company's stock recovered to the \$40 range by March of this year, when General Electric bid \$55 a share, or \$2.1 billion, and said it might raise that offer if Kemper opened its books for inspection, particularly regarding the real estate holdings. Kemper's board unanimously rejected that offer, saying the price was too low, and GE has turned to a proxy battle to replace four directors at the May 11 annual meeting. New directors could vote to reconsider the bid.

Mr. Mathis, in Europe this week to talk to the institutional shareholders that make up much of Kemper's 12 percent of overseas ownership, said the restructuring would raise earnings to levels above Wall Street expectations.

Banco Santander, the largest foreign stockholder, has said it would vote its 2.5 percent stake against GE. Mr. Mathis said Santander was far the largest overseas owner, and that many of the others were European institutions with far smaller stakes.

On Thursday, Kemper's income from continuing operations other than investments in the first quarter was reported at \$35.4 million, or 87 cents a share, a sizable premium to the 80 cents that analysts had been expecting. Altogether, continuing operations earned \$56.6 million, or \$1.43 a share. That compares with a loss from continuing operations of \$5 million a year earlier, before a financial charge.

The continuing operations figure without investments is important because it strips out securities

See KEMPER, Page 12

Improved Profit Margins Lift GM Earnings 67%

Compiled by Our Staff From Dispatches

DETROIT — General Motors Corp. on Thursday said its earnings jumped 67 percent in the first quarter, to \$854 million, amid substantially improved profit margins and continued cost reductions.

Despite the improvement, the largest U.S. automaker said it was still disappointed with its performance.

"We're not at all satisfied with the profitability of our car lines," said G. Richard Wagoner, the company's chief financial officer. "We are not at world-class levels of productivity."

The results included a previously announced charge of \$758 million

for new accounting for former or inactive employees' medical benefits. Without the charge, GM's profits soared to \$1.6 billion for the first three months of the year. Worldwide revenue rose 8.4 percent, to \$37.5 billion.

Mr. Wagoner said GM's small cars sold better than its large and luxury models, which traditionally are more profitable.

GM's profit margin reached 4.6 percent in the quarter, up from 1.6 percent in the first quarter of 1993.

"It's been about 10 years since we've seen net margins at that kind of level," Mr. Wagoner said, adding that the company was working toward profit margins of 5 percent.

Mr. Wagoner also said cost-cutting efforts have yielded significant savings and lifted profits. The automaker has been concentrating on reducing its purchasing costs by involving parts suppliers in earlier in the development process.

GM also said its U.S. salaried work force shrank to 71,000 in the quarter from 77,000 a year ago, and the company wants to eventually get down to about 69,000. GM's U.S. hourly work force is now at 250,000, down from 262,000 in late 1993. That level should decline only slightly to 245,000 by the end of this year.

The company's North American vehicle operations posted a loss of

\$197 million in the quarter because of the accounting charge. Excluding the charge, GM earned \$511 million from North American operations, a sharp turnaround from a loss of \$170 million in the 1993 quarter.

GM's share of the U.S. car and truck market for the first three months of 1994 rose to 33.5 percent from 33.1 percent in the 1993 quarter, marking the first gain for the first quarter in four years. Its U.S. vehicle sales rose 5.5 percent, to 1.28 million cars and trucks, from 1.19 million in the comparable year-earlier quarter. Car sales were at the highest levels since the first quarter of 1990, a company spokesman said.

The company said international operations earned \$425 million in the quarter, up from \$141 million a year ago.

GM is the second of Detroit's three automakers to report first-quarter results. Last week, third-ranked Chrysler said that a 15 percent gain in vehicle sales boosted its first-quarter profits by 77 percent, to a record \$938 million.

Second-ranked Ford Motor Co. is expected to report its first-quarter results Friday. Ford delayed its report from Wednesday in observance of a national day of mourning for former President Richard M. Nixon.

(Bloomberg, Reuters)

CURRENCY & INTEREST RATES

April 28									
Cross Rates									
	\$	£	DM	¥	₹	₪	₹	₹	₹
Australia	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
Canada	1.00	0.71	1.36	100.00	166.67	136.36	109.09	100.00	100.00
France	1.00	0.15	6.55	100.00	166.67	136.36	109.09	100.00	100.00
Germany	1.00	0.63	1.93	100.00	166.67	136.36	109.09	100.00	100.00
Italy	1.00	0.19	5.20	100.00	166.67	136.36	109.09	100.00	100.00
Japan	1.00	0.0074	135.64	100.00	166.67	136.36	109.09	100.00	100.00
UK	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
Switzerland	1.00	0.72	1.38	100.00	166.67	136.36	109.09	100.00	100.00
Sweden	1.00	0.13	7.46	100.00	166.67	136.36	109.09	100.00	100.00
Spain	1.00	0.16	6.19	100.00	166.67	136.36	109.09	100.00	100.00
South Africa	1.00	0.04	24.00	100.00	166.67	136.36	109.09	100.00	100.00
South Korea	1.00	0.0008	125.00	100.00	166.67	136.36	109.09	100.00	100.00
Taiwan	1.00	0.0026	384.62	100.00	166.67	136.36	109.09	100.00	100.00
Thailand	1.00	0.0055	181.82	100.00	166.67	136.36	109.09	100.00	100.00
US Dollar	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
Other Dollar Values									
Australia	0.75	1.00	2.27	133.33	222.22	181.82	142.86	100.00	100.00
Canada	0.71	1.00	1.97	142.86	238.10	190.48	151.52	100.00	100.00
France	0.15	1.00	7.91	61.90	100.00	80.00	63.16	100.00	100.00
Germany	0.63	1.00	3.12	25.00	100.00	79.27	62.50	100.00	100.00
Italy	0.19	1.00	5.26	41.67	100.00	76.92	61.22	100.00	100.00
Japan	0.0074	1.00	135.64	100.00	100.00	100.00	100.00	100.00	100.00
UK	0.75	1.00	1.70	133.33	100.00	100.00	100.00	100.00	100.00
Switzerland	0.72	1.00	1.38	138.89	100.00	100.00	100.00	100.00	100.00
Sweden	0.13	1.00	7.46	76.92	100.00	100.00	100.00	100.00	100.00
Spain	0.16	1.00	6.19	62.50	100.00	100.00	100.00	100.00	100.00
South Africa	0.04	1.00	24.00	250.00	100.00	100.00	100.00	100.00	100.00
South Korea	0.0008	1.00	125.00	125.00	100.00	100.00	100.00	100.00	100.00
Taiwan	0.0026	1.00	384.62	384.62	100.00	100.00	100.00	100.00	100.00
Thailand	0.0055	1.00	181.82	181.82	100.00	100.00	100.00	100.00	100.00
US Dollar	0.75	1.00	1.70	133.33	100.00	100.00	100.00	100.00	100.00
Forward Rates									
30-day	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
90-day	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
180-day	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
360-day	1.00	0.75	1.70	100.00	166.67	136.36	109.09	100.00	100.00
Interest Rates									
3-month	7.26%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%	3.50%	3.00%
6-month	7.50%	6.75%	6.25%	5.75%	5.25%	4.75%	4.25%	3.75%	3.25%
1-year	7.75%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%	3.50%
2-year	8.00%	7.25%	6.75%	6.25%	5.75%	5.25%	4.75%	4.25%	3.75%
3-year	8.25%	7.50%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%
4-year	8.50%	7.75%	7.25%	6.75%	6.25%	5.75%	5.25%	4.75%	4.25%
5-year	8.75%	8.00%	7.50%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%

April 28							
	French Franc	Yen	ECU				
5-5 1/2%	5 1/4-5 1/2	2 1/2-2 1/2	5 1/4-5 1/2				
5 1/2-5 3/4	5 1/4-5 1/2	2 1/2-2 1/2	5 1/4-5 1/2				
5 1/4-5 1/2	5 1/4-5 1/2	2 1/2-2 1/2	5 1/4-5 1/2				
5 1/2-5 3/4	5 1/4-5 1/2	2 1/2-2 1/2	5 1/4-5 1/2				

(*Unit minimum (or equivalent).*)

Britain			
Bank base rate	5 1/4	5 1/4	
Call money	5 1/4	5 1/4	
1-month interbank	5 1/4	5 1/4	
3-month interbank	5 1/4	5 1/4	
6-month interbank	5 1/4	5 1/4	
1-year interbank	5 1/4	5 1/4	
10-year GAT	5 1/4	5 1/4	

France			
Intervention rate	5.70	5.80	
Call money	5 1/4	5 1/4	
1-month interbank	5 1/4	5 1/4	
3-month interbank	5 1/4	5 1/4	
6-month interbank	5 1/4	5 1/4	
1-year interbank	5 1/4	5 1/4	
10-year GAT	5 1/4	5 1/4	

Sources: Reuters, Bloomberg, Comexbank, Greenwich, Montagu, Credit Lyonnais.

Gold			
A.A.A.	P.A.A.	Chrys.	
Zurich	372.5	372.5	-0.80
London	372.0	372.5	-0.90
New York	372.0	376.0	+1.50

U.S. dollars per ounce. London official bid.
Prices: Zurich and New York opening and close
in dollars; New York Comex (June)

Source: Reuters.

For each car sold under the Samsung brand in the first five years of production.

Samsung said it chose Nissan over Volkswagen AG and Toyota Motor Corp.

Nissan called the alliance a means of "expanding its business foundations in Asia." Japanese manufacturers have been moving production offshore as the rising yen erodes the competitiveness of their domestic plants.

As a result of the Nissan-Samsung deal, "Other South Korean carmakers are likely to ask Japanese carmakers to increase their assistance to the South Korean firms to improve their quality," said Hiroshi Suewasa, a senior analyst of Kankaku Research Institute.

Samsung argued that its move would allow wide choice for consumers and strengthen the competitiveness of Korean cars overseas.

But critics disagreed. Only two days ago, the state-run Korea Institute for Industrial Economics and Trade said Samsung's entry into the auto market could result in oversupply and undermine the international competitiveness of Korean cars.

(AP, Reuters)

MARKET DIARY

Japanese Shifts Hammer Dollar

Compiled by Our Staff From Dispatches

NEW YORK—The dollar tumbled to an eight-month low against the yen Thursday amid concern that Japan's political changes will drag out the country's trade dispute with the United States.

Plummeting U.S. bond and stock markets also weighed on the dollar. Bonds plunged after a component

of the government's report on gross domestic product suggested the threat of rising inflation.

The dollar closed in New York at 101.275 yen down from 102.330 on Wednesday, and at 1.6610 Deutsche marks, down from 1.6723. The U.S. currency slid to 5.6985 French francs from 5.7345 and to 1.4120 Swiss francs from 1.4279. The pound strengthened to \$1.5140 from \$1.5045.

"Everyone is selling dollars for yen because they don't see any progress on the trade front," said Dennis Peifer, foreign-exchange manager at Long-Term Credit Bank of Japan. "There's no one to buy dollars except the Bank of Japan."

The yen's strength despite repeated central bank intervention to cap the Japanese currency's rise also burdened the dollar.

"The market is convinced, whatever the recent protestations of the U.S. Treasury, that the U.S. is happy to see the dollar fall against the yen," said Amy Smith, an analyst

with IDEA, a consulting firm in New York. "The result of that is that dealers and funds are buying yen heavily to test that theory."

The U.S. trade representative's report on trade sanctions under the recently revised Super-301 provision is due Friday, which also made investors nervous.

Ms. Smith added that Kampe, the Japanese postal savings fund, appeared to have bought dollars in New York in an attempt to stem the yen's rise while the dollar was trading at 101.80 yen.

"We had an initial bounce due to the size of the order but the trend is still down," she said, predicting the dollar would fall to 97 yen in the next few days.

A series of attempts to talk down the yen by Japanese officials failed to deter the currency's rise.

Yoshio Terasawa, the new economic planning agency minister, said yen strength was hitting Japanese companies hard and speculative moves were undesirable.

Hirohisa Fujii, the finance minister, said Japan and other Group of Seven countries were ready to counter excessive currency moves whenever markets were open.

The slumping U.S. stock and bond markets also have spurred a divestiture of dollar-denominated assets in general, Ms. Smith said.

She said the market was benefiting because investors saw it as a stable haven. (AFX, Reuters, Bloomberg)

GROW: Bond Prices Plummet

Continued from Page 11
given the weather. Spending on residential construction rose at a 9.1 percent rate but that was still much smaller than the 31.7 percent rate of the previous quarter.

Report Ends Bond Rally
The loss for U.S. Treasury bonds was the largest since April 4.

U.S. Stocks

Bloomberg Business News reported from New York.

"A weak first quarter doesn't mean the expansion is over" and is not enough to change inflation expectations, said William Stevens, a managing director at Montgomery Asset Management.

Bonds had risen in five of the past six days. The 30-year issue had gained about 34 points during that period, with the yield dropping 32 basis points.

In trading on Thursday, bond prices initially rose as much as half a point, or \$5 for every \$1,000 of face value, after the Commerce Department made its announcement on growth.

The bear market in bonds, combined with fears that the Federal Reserve Board may raise short-term rates soon, produced broad losses among blue-chip stocks.

But better-than-expected earn-

ings from Johnson & Johnson, a leading health-care company, and General Motors Corp., the country's largest carmaker, cushioned the stock market's fall, traders said.

Volume on the New York Stock Exchange surged to 323.24 million shares from 287.99 million on Wednesday. Declining stocks outnumbered gainers by more than 4-to-3 ratio.

"The reversal in bonds is killing the stock market," said William Lord, vice president in equity trading at UBS Securities Inc. "All the good earnings in the world aren't going to stop this."

"People are anticipating that rates will continue to move up," said Thomas Tull, a manager at Gulfstream Global Investors.

Joseph Liro, chief economist at S.G. Warburg & Co., said he believed the first-quarter GDP report would outdissuade the Fed from raising the federal funds rate another 25 basis points, to 4 percent, before the end of the second quarter.

General Motors was unchanged at 56 1/4 in spite of its sharp earnings gain.

Teléfonos de México rose 1/2 to 59 1/2 in spite of the company's report that first-quarter earnings had fallen due to a hefty foreign exchange loss.



NYSE Most Actives

NYSE Most Active					
	Vol.	High	Low	Last	Chg.
TeleCom	134809	25%	34%	25%	
RJR Ind	74538	7	6 1/4	6 1/4	+ 1/4
Texaco	67454	29 1/2	29 1/4	29 1/4	+ 1/4
Amgen	48541	57 1/4	57 1/4	56 3/4	+ 1/4
RJR MP	37695	39 1/4	39 1/4	38 3/4	+ 1/4
RJR op	32825	7	6 1/4	6 1/4	+ 1/4
Amgen	30768	54 1/4	54 1/4	54 1/4	+ 1/4
Metrico S	29060	46 1/4	46 1/4	45 3/4	+1 1/4
Chrysler	26215	49 1/4	49 1/4	49 1/4	+ 1/4
Amgen	20057	11 1/4	10 3/4	11 1/4	+ 1/4
Pharm	22544	53	53 1/4	53 1/4	+ 1/4
IBM	22438	38 1/4	38 1/4	37 3/4	+1 1/4
Univis	20057	11 1/4	10 3/4	11 1/4	+ 1/4
Univis	18275	16 1/4	16 1/4	16 1/4	+ 1/4
CocaCo	17919	41 3/4	41	41 3/4	+ 1/4

Enterprise's Bid Values LASMO at £1.45 Billion

Agence France-Press
LONDON — Enterprise Oil PLC on Thursday launched a hostile £1.45 billion (\$2.14 billion) takeover bid for its main British rival, LASMO PLC.
LASMO advised shareholders to reject Enterprise Oil's all-cash offer. "LASMO has taken major steps over the past year to strengthen its business and it is now well placed to benefit from these actions," the company said.
The takeover, if consummated, would create the world's largest independent oil exploration company. But industry sources said the chances of Enterprise's initial bid succeeding were slim, as other bidders were likely to come in with a cash offer to top Enterprise's paper offer. Analysts predicted that the

bidding for LASMO would eventually top £2.5 billion.
Enterprise offered 27 of its class A shares and 12 warrants for each 80 common shares in LASMO, valuing each LASMO share at 150 pence.
LASMO shares dropped 5 pence to 158 pence on Thursday, while Enterprise was down by 20 to 425 pence.
Other potential bidders were rumored to be Elf Aquitaine, British Gas PLC, Atlantic Richfield Co. and PowerGen, the British electricity generating company.
Elf has a 14 percent stake in Enterprise Oil, via Elf Enterprise, their joint exploration company in the North Sea.
Enterprise said in announcing its bid that a combination with LASMO would "create a world-

class exploration and production business with reserves in excess of 1,600 million barrels of oil equivalent and with interests in 26 countries."
LASMO shareholders have seen the value of their holdings fall significantly because LASMO had lost more than £500 million during the last two years, Enterprise said.
LASMO, formerly London & Scottish Marine Oil, improved its results last year but still reported a net loss of £131 million on revenue that rose 9 percent, to £578 million.
On April 13, it launched an operation to raise new capital of £219 million to finance investment and strengthen its balance sheet.
Enterprise Oil increased net profit by 9 percent, to £94.7 million, in 1993 despite weakness in oil prices.

Air France Delays Meridien Sale

Compiled by Our Staff From Despatches
PARIS — Air France said Thursday it would seek government advice before deciding on whether to sell its stake in the Meridien luxury hotel chain to Accor SA of France or Fortis PLC of Belgium.
Air France did knock a third bidder out of the running, saying that Lufthansa AG's Kempinski hotel chain would not get the prize.
Fortis has bid 1.8 billion French francs (\$313 million) for Air France's entire 57 percent stake in Meridien, while Accor has bid 1.6 billion francs for a 40 percent stake. Accor executives said their offer, although less, would benefit Air France more because a

close working relationship between Accor and Air France could develop.
Accor, France's largest hotel chain, and Air France, the national airline, already have strong business links, and Accor executives have said an alliance between Accor and Meridien could contribute net profit of up to 200 million francs a year to Air France.
Air France is selling Meridien in its effort to reduce its 37 billion franc debt. The airline, which Thursday reported its 1993 net loss more than doubled, to 8.48 billion francs, has asked for 20 billion francs of funding from the French government.
(Bloomberg, Reuters)

Revenue Abroad Powers BASF to 47% Profit Gain

Compiled by Our Staff From Despatches
LUDWIGSHAFEN, Germany — BASF AG on Thursday became the third of Germany's three major chemicals companies to report a sharp rise in profit in the first quarter, underscoring the sector's upturn in Europe and worldwide.
Boosted by foreign sales, pretax profit surged 47 percent, to 349 million Deutsche marks (\$206.4 million), from the corresponding period a year earlier.
Despite the size of the profit increase, the figure was still unsatisfactory in absolute terms, BASF Chief Executive Jürgen Strube told shareholders at their annual meeting.
"While the increase in earnings is favorable, we can't forget the low comparative base," Mr. Strube said. "In absolute terms, earnings are still far from satisfactory."

The extent of the rise nevertheless took the market by surprise and the company's share price rose 3.20 DM to 337.90 DM on Thursday. Analysts had widely expected a pretax profit figure from 280 million DM to 320 million DM.
Mr. Strube said that the company would also be able to increase its profit for the full year. But did not make a dividend

Rates Slip As France Adjusts

Compiled by Our Staff From Despatches
PARIS — The Bank of France lowered its intervention rate Thursday to 5.70 percent from 5.80 percent, marking its fifth cut since the start of the year in the rate that sets the floor for money market rates.
The move was expected after the Bundesbank on Wednesday allowed its securities repurchase rate to fall. French monetary policy often tracks that of Germany, and the Bundesbank allowed the repurchase rate to slip to 5.47 percent.
The Bundesbank refrained from making any other interest rate adjustments at its biweekly council meeting Thursday. The German discount rate, which is essentially the floor of the money market, remains at 5.0 percent and the Lombard rate, which is the ceiling, at 6.50 percent, the levels set on April 15. Both rates are charged on collateralized borrowings by banks.
Economists said another cut in the French intervention rate, by about the same amount, was probable soon — possibly as early as next week.
(Reuters, AFP)

Investor's Europe			
Exchange	Index	Thursday Close	Change
Amsterdam	AEX	416.81	+17.32
Brussels	Stock Index	2,351.23	+28.57
Frankfurt	DAX	853.86	+83.10
Helsinki	HEX	1,886.72	+184.06
London	Financial Times 100	2,499.99	+250.79
London	FTSE 100	3,120.99	+150.00
Madrid	Ibex 35	3,324.36	+100.45
Milano	MIB	2,403.00	+131.00
Paris	CAC 40	2,150.35	+142.32
Stockholm	Stock Index	1,872.06	+188.39
Vienna	Stock Index	429.12	+45.45
Zurich	SBS	575.81	+54.28

Very briefly:

- SKF AB, the Swedish industrial conglomerate, said it posted a profit of 306 million kronor (\$39.15 million) in the first quarter of 1994, down 13.8 percent from the comparable period a year earlier, but the company cited an improvement in its European sales.
- Heineken NV employees agreed to go back to work after blockading the largest Dutch brewer's two main plants for nearly a week.
- The Netherlands' central bank said it expected the economy, which grew 0.2 percent in 1993, to grow 1.1 percent in 1994.
- BMW AG, Fiat SpA and Renault agreed to collaborate on a plan for more efficient recycling of old cars.
- Cyprus said it would lower the ceiling on its loan interest rates by half a point, to 8.5 percent, its first cut in 50 years. Reuters, AFP, AFX, Bloomberg

SCHNEIDER: When the Music Stopped, the German Real Estate Magnate Couldn't Face the Consequences

Continued from Page 11
side advisers now suspected to have been bribed for just that purpose.
In one case, Deutsche Bank has alleged he submitted false rental contracts in an application for a 415 million DM loan to finance an American-style shopping mall in downtown Frankfurt. According to the bank, Mr. Schneider not only exaggerated the expected income from the mall's future tenants, but he lied about the amount of rental space available, claiming it totaled 20,000 square meters (215,000 square feet) when it was actually only 9,000 square meters. What remains unclear is how Deutsche Bank could fail to have verified something as basic as the size of the property it was lending on.
"All his financial engineering

was financed by the banks," an executive of Mr. Schneider's company said. "And he made politicians and important people dependent upon him by restoring landmark buildings and projecting himself as a generous philanthropist."
Mr. Schneider also cashed in on government loan subsidies for development in East Germany, especially in Leipzig, where he acquired many properties after German unification in 1990.
East or West, to keep the banks believing in him, even after Germany's recession began, Mr. Schneider also appears to have kept secret certain aspects of contracts he had with many of his commercial tenants. These provisions allowed tenants to pay him reduced rent if business was slow. As busi-

ness declined, so did Mr. Schneider's income, explained Georg Lohs, managing director of an electronics outlet in Frankfurt's Zeilgalerie mall, which opened two years ago.
"In addition to our standard contract, they gave us an additional agreement that allowed the percentage of rent tied to turnover to fall from 5 to 3 percent if business was slow," Mr. Lohs said. Apparently neither the auditors employed by the banks to gauge their credit risk nor the banks themselves ever asked whether there were any supplementary contracts.
Mr. Schneider also kept close personal control of his property holdings, despite the fact that they were officially worth 5 billion DM. With only one exception, in 1992, he was unwilling to sell any prop-

erty. He was also loath to confide the prices he paid for properties.
Matthias Distenfeld, a real estate adviser who is now trying to place a value on the assets of the bankrupt Dr. Jürgen Schneider AG company, complained that in all the years he had worked for the secretive Mr. Schneider "he never told us how much he paid for a property."
Mr. Schneider and his wife were the only authorized signatories for the entire property division, which employed more than 2,000 people and was run by a staff of 40 at the castle in Königstein. The two kept to themselves, shunning the opera, art galleries, and the Frankfurt social scene.
It was only in February of this year that Mr. Schneider began to face a string of increasingly serious financial and image problems that

according to one fellow director caused him "to lose track of what he was doing" and panic.
Martin Wentz, a Frankfurt city planning official who met Mr. Schneider about 10 times over the past five years, said he thought Mr. Schneider decided to depart in a hurry because he could not face the fact that "the recession just ran over him." Others agree the property developer based all his financial projections on the recession ending sooner and on being able to obtain more bank loans. Neither happened.
Ms. Eick said she saw Mr. Schneider becoming notably stressed in February. Bank creditors were demanding information from

him on his projects, his assets, and his cash flow — information he was not willing to share with his own colleagues.
Then, newspapers began reporting that he owed substantial amounts to contractors and craftsmen, causing repeated embarrassment. Finally, a Frankfurt newspaper reported that Mr. Schneider had been the target of a long-running legal action.
The tragedy, say close colleagues, is that Mr. Schneider might have been able to save his company, and himself, by selling just one or two properties and paying off contractors now owed about 250 million DM. Instead he chose to run away.

NYSE Thursday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

12 Month High	Low	Stock	Div	Yld	PE	1993 High	Low	Lowest	Chg
12.00	11.00	IBM	3.20	4.0	15.0	120.00	110.00	100.00	+10.00
11.00	10.00	Microsoft	2.00	5.0	18.0	110.00	100.00	90.00	+10.00
10.00	9.00	Apple	1.50	3.0	12.0	100.00	90.00	80.00	+10.00
9.00	8.00	Oracle	1.00	2.0	10.0	90.00	80.00	70.00	+10.00
8.00	7.00	Sun	0.80	1.5	8.0	80.00	70.00	60.00	+10.00
7.00	6.00	Novell	0.60	1.0	6.0	70.00	60.00	50.00	+10.00
6.00	5.00	Lotus	0.40	0.8	4.0	60.00	50.00	40.00	+10.00
5.00	4.00	Intuit	0.30	0.6	3.0	50.00	40.00	30.00	+10.00
4.00	3.00	Adobe	0.20	0.4	2.0	40.00	30.00	20.00	+10.00
3.00	2.00	Corel	0.10	0.2	1.0	30.00	20.00	10.00	+10.00
2.00	1.00	Parsons	0.05	0.1	0.5	20.00	10.00	0.00	+10.00
1.00	0.50	VeriFone	0.02	0.05	0.2	10.00	0.50	0.00	+10.00
0.50	0.25	WorldCom	0.01	0.02	0.1	5.00	0.25	0.00	+10.00
0.25	0.10	WorldTel	0.005	0.01	0.05	2.50	0.10	0.00	+10.00
0.10	0.05	WorldNet	0.001	0.002	0.01	1.00	0.05	0.00	+10.00
0.05	0.02	WorldWideWeb	0.0005	0.001	0.005	0.50	0.02	0.00	+10.00
0.02	0.01	WorldWideWeb	0.0001	0.0002	0.001	0.25	0.01	0.00	+10.00
0.01	0.005	WorldWideWeb	0.00005	0.0001	0.0005	0.10	0.005	0.00	+10.00
0.005	0.002	WorldWideWeb	0.00001	0.00002	0.0001	0.05	0.002	0.00	+10.00
0.002	0.001	WorldWideWeb	0.000005	0.00001	0.00005	0.02	0.001	0.00	+10.00
0.001	0.0005	WorldWideWeb	0.000001	0.000002	0.00001	0.01	0.0005	0.00	+10.00
0.0005	0.0002	WorldWideWeb	0.0000005	0.000001	0.000005	0.005	0.0002	0.00	+10.00
0.0002	0.0001	WorldWideWeb	0.0000001	0.0000002	0.000001	0.002	0.0001	0.00	+10.00
0.0001	0.00005	WorldWideWeb	0.00000005	0.0000001	0.0000005	0.001	0.00005	0.00	+10.00
0.00005	0.00002	WorldWideWeb	0.00000001	0.00000002	0.0000001	0.0005	0.00002	0.00	+10.00
0.00002	0.00001	WorldWideWeb	0.000000005	0.00000001	0.00000005	0.0002	0.00001	0.00	+10.00
0.00001	0.000005	WorldWideWeb	0.000000001	0.000000002	0.00000001	0.0001	0.000005	0.00	+10.00
0.000005	0.000002	WorldWideWeb	0.0000000005	0.000000001	0.000000005	0.00005	0.000002	0.00	+10.00
0.000002	0.000001	WorldWideWeb	0.0000000001	0.0000000002	0.000000001	0.00002	0.000001	0.00	+10.00
0.000001	0.0000005	WorldWideWeb	0.00000000005	0.0000000001	0.0000000005	0.00001	0.0000005	0.00	+10.00
0.0000005	0.0000002	WorldWideWeb	0.00000000001	0.00000000002	0.0000000001	0.000005	0.0000002	0.00	+10.00
0.0000002	0.0000001	WorldWideWeb	0.000000000005	0.00000000001	0.00000000005	0.000002	0.0000001	0.00	+10.00
0.0000001	0.00000005	WorldWideWeb	0.000000000001	0.000000000002	0.00000000001	0.000001	0.00000005	0.00	+10.00
0.00000005	0.00000002	WorldWideWeb	0.0000000000005	0.000000000001	0.000000000005	0.0000005	0.00000002	0.00	+10.00
0.00000002	0.00000001	WorldWideWeb	0.0000000000001	0.0000000000002	0.000000000001	0.0000002	0.00000001	0.00	+10.00
0.00000001	0.000000005	WorldWideWeb	0.00000000000005	0.0000000000001	0.0000000000005	0.0000001	0.000000005	0.00	+10.00
0.000000005	0.000000002	WorldWideWeb	0.00000000000001	0.00000000000002	0.00000000000005	0.00000005	0.000000002	0.00	+10.00
0.000000002	0.000000001	WorldWideWeb	0.000000000000005	0.00000000000001	0.00000000000005	0.00000002	0.000000001	0.00	+10.00
0.000000001	0.0000000005	WorldWideWeb	0.000000000000001	0.000000000000002	0.00000000000001	0.00000001	0.0000000005	0.00	+10.00
0.0000000005	0.0000000002	WorldWideWeb	0.0000000000000005	0.000000000000001	0.000000000000005	0.000000005	0.0000000002	0.00	+10.00
0.0000000002	0.0000000001	WorldWideWeb	0.0000000000000001	0.0000000000000002	0.000000000000001	0.000000002	0.0000000001	0.00	+10.00
0.0000000001	0.00000000005	WorldWideWeb	0.00000000000000005	0.0000000000000001	0.0000000000000005	0.000000001	0.00000000005	0.00	+10.00
0.00000000005	0.00000000002	WorldWideWeb	0.00000000000000001	0.00000000000000002	0.00000000000000005	0.0000000005	0.00000000002	0.00	+10.00
0.00000000002	0.00000000001	WorldWideWeb	0.000000000000000005	0.00000000000000001	0.00000000000000005	0.0000000002	0.00000000001	0.00	+10.00
0.00000000001	0.000000000005	WorldWideWeb	0.000000000000000001	0.000000000000000002	0.00000000000000001	0.0000000001	0.000000000005	0.00	+10.00
0.000000000005	0.000000000002	WorldWideWeb	0.0000000000000000005	0.000000000000000001	0.000000000000000005	0.00000000005	0.000000000002	0.00	+10.00
0.000000000002	0.000000000001	WorldWideWeb	0.0000000000000000001	0.0000000000000000002	0.000000000000000001	0.00000000002	0.000000000001	0.00	+10.00
0.000000000001	0.0000000000005	WorldWideWeb	0.00000000000000000005	0.0000000000000000001	0.0000000000000000005	0.00000000001	0.0000000000005	0.00	+10.00
0.0000000000005	0.0000000000002	WorldWideWeb	0.00000000000000000001	0.00000000000000000002	0.0000000000000000001	0.000000000005	0.0000000000002	0.00	+10.00
0.0000000000002	0.0000000000001	WorldWideWeb	0.000000000000000000005	0.00000000000000000001	0.00000000000000000005	0.000000000002	0.0000000000001	0.00	+10.00
0.0000000000001	0.00000000000005	WorldWideWeb	0.000000000000000000001	0.000000000000000000002	0.000000000000000000001	0.000000000001	0.00000000000005	0.00	+10.00
0.00000000000005	0.00000000000002	WorldWideWeb	0.0000000000000000000005	0.000000000000000000001	0.000000000000000000005	0.0000000000005	0.00000000000002	0.00	+10.00
0.00000000000002	0.00000000000001	WorldWideWeb	0.0000000000000000000001	0.0000000000000000000002	0.000000000000000000001	0.0000000000002	0.00000000000001	0.00	+10.00
0.00000000000001	0.000000000000005	WorldWideWeb	0.00000000000000000000005	0.0000000000000000000001	0.0000000000000000000005	0.0000000000001	0.000000000000005	0.00	+10.00
0.000000000000005	0.000000000000002	WorldWideWeb	0.00000000000000000000001	0.00000000000000000000002	0.00000000000000000000001	0.00000000000005	0.000000000000002	0.00	+10.00
0.000000000000002	0.000000000000001	WorldWideWeb	0.000000000000000000000005	0.00000000000000000000001	0.00000000000000000000005	0.00000000000002	0.000000000000001	0.00	+10.00
0.000000000000001	0.0000000000000005	WorldWideWeb	0.000000000000000000000001	0.000000000000000000000002	0.00000000000000000000001	0.00000000000001	0.0000000000000005	0.00	+10.00
0.0000000000000005	0.0000000000000002	WorldWideWeb	0.0000000000000000000000005	0.000000000000000000000001	0.000000000000000000000005	0.000000000000005	0.0000000000000002	0.00	+10.00
0.0000000000000002	0.0000000000000001	WorldWideWeb	0.000000000000000						

Thursday's 3 p.m.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Thursday's 3 p.m.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

[illegible]

Thursday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. *Via The Associated Press*

[illegible]

	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943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Month	High	Low	Shack	Dir	Day	PE	SE	100	High	Low	Lat	Choc
1970	100	100	100	100	100	100	100	100	100	100	100	100
1971	100	100	100	100	100	100	100	100	100	100	100	100
1972	100	100	100	100	100	100	100	100	100	100	100	100
1973	100	100	100	100	100	100	100	100	100	100	100	100
1974	100	100	100	100	100	100	100	100	100	100	100	100
1975	100	100	100	100	100	100	100	100	100	100	100	100
1976	100	100	100	100	100	100	100	100	100	100	100	100
1977	100	100	100	100	100	100	100	100	100	100	100	100
1978	100	100	100	100	100	100	100	100	100	100	100	100
1979	100	100	100	100	100	100	100	100	100	100	100	100
1980	100	100	100	100	100	100	100	100	100	100	100	100
1981	100	100	100	100	100	100	100	100	100	100	100	100
1982	100	100	100	100	100	100	100	100	100	100	100	100
1983	100	100	100	100	100	100	100	100	100	100	100	100
1984	100	100	100	100	100	100	100	100	100	100	100	100
1985	100	100	100	100	100	100	100	100	100	100	100	100
1986	100	100	100	100	100	100	100	100	100	100	100	100
1987	100	100	100	100	100	100	100	100	100	100	100	100
1988	100	100	100	100	100	100	100	100	100	100	100	100
1989	100	100	100	100	100	100	100	100	100	100	100	100
1990	100	100	100	100	100	100	100	100	100	100	100	100
1991	100	100	100	100	100	100	100	100	100	100	100	100
1992	100	100	100	100	100	100	100	100	100	100	100	100
1993	100	100	100	100	100	100	100	100	100	100	100	100
1994	100	100	100	100	100	100	100	100	100	100	100	100
1995	100	100	100	100	100	100	100	100	100	100	100	100
1996	100	100	100	100	100	100	100	100	100	100	100	100
1997	100	100	100	100	100	100	100	100	100	100	100	100
1998	100	100	100	100	100	100	100	100	100	100	100	100
1999	100	100	100	100	100	100	100	100	100	100	100	100
2000	100	100	100	100	100	100	100	100	100	100	100	100
2001	100	100	100	100	100	100	100	100	100	100	100	100
2002	100	100	100	100	100	100	100	100	100	100	100	100
2003	100	100	100	100	100	100	100	100	100	100	100	100
2004	100	100	100	100	100	100	100	100	100	100	100	100
2005	100	100	100	100	100	100	100	100	100	100	100	100
2006	100	100	100	100	100	100	100	100	100	100	100	100

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Month	High	Low	Stock	Yld	Div	PE	St	St 80s	High	Low	Latest	Open
12/24	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/25	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/26	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/27	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/28	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/29	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/30	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
12/31	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/1	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/2	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/3	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/4	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/5	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/6	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/7	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/8	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/9	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/10	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/11	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/12	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/13	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/14	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/15	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/16	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/17	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/18	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/19	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/20	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/21	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/22	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/23	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/24	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/25	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/26	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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1/30	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
1/31	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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2/3	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/4	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/5	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/6	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/7	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/8	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/9	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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2/16	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/17	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/18	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/19	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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2/21	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/22	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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2/24	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
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2/27	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/28	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/29	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/30	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2
2/31	124 1/2	124 1/2	100	4 1/2	1.00	11 1/2	100	100	124 1/2	124 1/2	124 1/2	124 1/2

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3



ADVERTISING SECTION

I·N·T·E·R·N·A·T·I·O·N·A·L

THE SECRET OF SUCCESS: TAILOR THE PRODUCT TO LOCAL NEEDS

Faced with pent-up demand for goods and services in the developing world and the newly hatched free-market economies of East Asia and Eastern Europe, franchisers are rushing into those markets. Increasingly, franchisers look at their international operations as equal to, if not more important than, their domestic ones.

"Franchisers in general are expanding to other

countries earlier in their development," says Bob Jones, vice president for the International Franchise Association. "It's being included in their strategic plan up front."

"Every day, it's a smaller world," adds Tom Portes, director of the International Franchise Expo, which is being held in Washington by the Blenheim Group. Franchisers are aware that each market presents a unique situation. For exam-

ple, a U.S. fast-food franchiser lost money on breakfast in Brazil, where people seldom leave their homes early.

Sylvan Learning Centers, a tutoring chain, has tailored its franchises to local needs. Faced in most countries with only an informal tutoring industry, Sylvan screens and hires teachers and plans a curriculum suitable for each market. Sylvan also offers an exclusive contract to deliver computerized versions of standard tests, such as the Graduate Record Exam, to the many non-U.S. applicants wishing to gain admission to American schools.

The global nature of fran-

chising has not challenged U.S. domination as a franchise exporter, but the internationalization of the industry has accelerated the importing of franchises to the U.S. The British-based Body Shop has ventured into the United States, as well as into other markets.

Philip Zeidman, a Washington lawyer who is general counsel to the International Franchise Association, points out that several major U.S. franchises are in fact owned by foreigners, including Burger King, owned by Britain's Grand Metropolitan; the Southland Corp., which runs the ubiquitous 7-11 convenience stores, owned by a former

master Japanese licensee; Shakey's Pizza, owned by a Far Eastern company; Holiday Inn, owned by Bass Ale; and Hardee's Hamburgers, owned by a Canadian company that is owned, in turn, by a British company.

East European markets, still acclimatizing themselves to private capital, have already seen the arrival of franchises with pockets deep enough for long-term investment. The Moscow McDonald's has seen long lines but large losses, since the company had to establish its supply lines from the ground up — for everything from meat to potatoes. But the establishment of such an

infrastructure will allow the fast-food chain to turn a profit with the opening of more units.

Alphagraphics, a U.S.-based print shop, has stores in 16 countries, including three in China. But its Moscow shop, opened in 1989 (and the first privately owned public printing facility in Russia since the revolution), is one of its most profitable locations.

Eastern Europe is becoming a prime market for master licensees. "There is a fair amount of mattress money," Mr. Zeidman says. "It was kept together because there was nothing to invest in." Many franchises are purchased by syndicates, often

extended local families pooling money or families with relatives returning from the West with capital. Although fast food remains the engine driving franchises in developing markets, the demand for other goods and services is enticing other industries, including tourism (travel agencies, hotels, car-rental agencies, etc.) and business services (copying, faxing, business cards, personnel, temporary help, etc.).

Steamatic, a 48-year-old U.S.-based company, provides residential, commercial and industrial cleaning services. It was the first franchise service company to open in China.



Another marketplace where pent-up demand for goods and services has created new opportunities for franchisers is Latin America. Brazil, the largest market in the region, had only 450 franchise companies in 1992, but sales increased 36 percent that year and about as much last year.

Steve Weinstein

EUROPEAN OUTLETS MOVE TO FILL SERVICE GAP

It has taken some time for franchising to penetrate Europe's closed markets and cramped metropolises. Today, the industry is remedying the Continent's chronic shortage of services.

Europe's national franchise markets diverge widely in their stages and rates of market development. After having

recorded gains in recent years of more than 50 percent in the number of new franchises founded annually, the franchising boom in Eastern Germany is apparently cooling off in 1994. In Western Germany, powered by 1993's estimated 26 percent jump, it is still heating up. Franchising is making steady gains in Italy, where local businesspeople have called franchisees the "new faces crowding into our central shopping districts."

After suffering a decline in France, where the recession reportedly closed down

many of the country's outlets, franchising has been making a steady recovery over the last year and a half, according to trade journal Franchise International.

In Great Britain, franchising has been the classic, omnipresent entrepreneurial vehicle for business founders since the "Thatcher 80s." In Central Europe, franchising is becoming almost as widespread in the "private-sector 90s." Newly established outlets prosper by serving the newly arrived and newly affluent. In countries farther east, franchises are suddenly flourishing in a rather unexpected role — that of a lifeline supplying expatriates and local executives with computer parts, falafel and other necessities of Western lifestyle.

All of these national markets share one common characteristic: at varying rates of speed, franchising is alleviating the Continent's chronic shortage of services and service-related jobs.

Europe's franchising scene now sports some American-like numbers: 60,000 franchise outlets in Europe employ several thousand persons. But the Continent features a non-

American preponderance of such "high-end" franchises as deluxe laundromats, Levi's Stores, real-estate brokers and round-the-clock office rentals (complete with PCs, faxes and photocopy machines).

As any European observer knows, these services

Western items prove a hit in the East

were scarce in the pre-franchising days. Their scarcity reflected the overall state of Europe's service sector, a product of a lack of available, affordable space for new outlets and of openness to new commercial ideas.

Scarcity of space is still a fact of business life in Europe. To deal with it, most of the Continent's 2,000 franchise system suppliers have intensified American-style "maximum dispersion" franchising.

"Rather than expending their resources on setting up the greatest number of outlets, Europe's franchisers generally concentrate their investments on the franchisee selection process, on outlet design and on franchisee training," says Knut S. Pauli, the Leverkusen-based chronicler of Europe's franchising scene.

"Dispersion is still the name of the game, but it is approached on a step by step, long-term basis."

A lack of openness to new business ideas is no longer the rule in Europe, dispelled by the introduction of the EU and the onset of the recession.

"There's nothing new about successful businesses thinking about going international," says Mr. Pauli. "New is the legal framework conducive to their doing so, and the receptiveness of local businesspeople to non-local ideas. And both of those stem from the EU."

In fact, EU neighbors account for the lion's share of transnational franchising in Western Europe. Germany's most successful franchiser over the past few years, frozen food merchant Eismann, has used France as its prime market for expansion. Conversely, France's Mercure has successfully concentrated its efforts on opening up the German, Spanish, Italian and British markets for its franchised hotels.

Also new is the growing number of potential franchise owners. As business monthly Forbes Germany notes in a recent edition, the swelling ranks of unemployed and dissatisfied executives provide the perfect recruiting ground for future franchise owners. "These

executives have great managerial experience plus ample 'golden handshakes' or savings, and are actively looking for business opportunities."

West

European consumers' willingness to avail themselves of the services of Call a Pizza and Mister Minit outlets has been growing steadily over the last few years. For Central and Eastern Europeans, "it was love at first sight between franchise outlets and their customers," says Boris Gandel, international affairs editor at Smena, a Bratislava-based newspaper.

As Mr. Gandel points out, the initial rush by locals to sample such high-profile

Western items as McDonald's hamburgers has gradually tapered off, but swelling numbers of tourists have kept franchise outlets' sales high.

"Bratislava and the region's other cities are filled with 'second generation' franchises, such as clothing stores and computer centers," says Mr. Gandel. "Most people using them don't even realize that the stores are franchises from Western systems."

He adds: "Many of my acquaintances have turned into businesspeople by opening up franchising outlets. There's a natural match between a proven concept and a newly developed market." Terry Swartzberg

PROSPECTS ARE GOOD FOR TRADE FAIR

Trade shows have increasingly become the preferred way of prospecting potential franchisees. A field representative typically reaches only a few prospects per day — something that can be done in less than an hour at a major trade show, according to executives of the Blenheim Group, producers of the International Franchise Expo.

The Expo, beginning today in Washington, D.C., may be dominated by American franchisers, but it already reflects the internationalization of the franchise industry. Last year, exhibitors from nine countries were joined by attendees from 73 countries. Many of those attending from outside the United States were looking for master licenses for their countries.

Three Mexican franchisers will exhibit for the first time this year — a reflection of the effects of the North American Free Trade Agreement. Tom Portes of the Blenheim Group is expecting 300 exhibitors — the same number as last year. Blenheim produces a number of shows, but this one is by far the largest, with 26,000 attendees in 1993. As the only international franchising fair, it provides the best venue for franchisers and potential franchisees to meet and exchange information.

S.W.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. Steve Weinstein is a free-lance writer based in New York. Terry Swartzberg is a Munich-based business writer. Joseph R. Yogerst is based in Singapore and specializes in Asian affairs. Illustrations by K. A. Shekder-Wilson

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ASIAN FIRMS CATCH ON TO BENEFITS OF EXPANSION THROUGH FRANCHISING

The franchise market is on the brink of explosion in Asia, providing opportunities for immediate entry into this lucrative region to Western companies that do not have the resources, management or knowledge to expand on their own. But growth in this sector is not all from outside of the region. Many up-and-coming Asian companies are also realizing the benefits of expansion through franchising.

Singapore seems to have caught onto the franchise trend faster than its neighbors, but there is also activity in Malaysia, the Philippines, Thailand, Indonesia and Hong Kong. "Over the past three years, the number of Singapore franchisers has grown dramatically," says Tan Thuan

Seng, president of the Singapore International Franchise Association, "from eight in 1990 to 35 in 1993 - with some 20 others in the pipeline."

Albert Kong, local managing director of a British-based franchise consultancy called Franchise Development Services, confirms that Singapore franchisers are beginning to expand abroad. "But we strongly encourage all our clients to go through the local learning curve before venturing overseas," he explains.

Mr. Kong recommends that expansion abroad begins as close to home as possible and that companies venture farther afield only when experience has been gained.

Several Singapore companies have already taken the plunge. Toscana, which

produces and sells high-quality leather products, has franchises in Taiwan and Indonesia and is considering requests from interested parties in Europe. Old Chang Kee Curry Puffs, which markets meat curry in a pastry casing, is already tickling the taste buds of Japanese consumers.

Perhaps the most advanced Asian franchiser is Noel, a Singapore-based company that supplies hampers, floral arrangements and corporate gifts. After three years of research and planning, Noel decided to appoint its first franchisee in Malaysia in 1991, spreading to Thailand and Indonesia in subsequent ventures.

"After two aggressive years, we have four franchisees - in Kuala Lumpur, Jakarta, Bangkok and Johor Bahru," says Alfred Wong, the company's managing director. "To complete our Southeast Asia franchise network, we are currently on the look-out for franchisees in Brunei, East Malaysia, Penang and

Surabaya, as well as Taiwan and the Philippines."

Traditionally, fast-food outlets have dominated the American franchise drive into Asia - McDonald's, Burger King, Kentucky Fried Chicken, Pizza Hut, Wendy's, Hamburgers, Dunkin' Donuts, Ponderosa Steak House, Famous Amos

**Constant contact
is key to
success**

Cookies and Swensen's Ice Cream, to name but a few. Some of these companies now seem to be moving away from franchising into joint ventures or wholly owned operations.

With more than 1,600 restaurants, \$1.6 billion in retail turnover and 22 years of experience in Asia, Kentucky Fried Chicken takes the Asian slice of its operations very seriously. "We feel that Asia is suf-

ficiently important that we want to be not only a licensor but also owner/operator," says Tim Lane, president of KFC Asia-Pacific. "We are committed to developing our brand ourselves, but will use franchisees as fill-ins." KFC holds equity interest ranging from 30 to 100 percent in half of their Asian operations. At present, the company has franchises in Indonesia, Hong Kong, Taiwan, Korea and China.

As long-established companies move away from franchising, Asia's mouth-watering growth rates have attracted a range of non-traditional franchise companies. Steamatic International sells licenses for carpet cleaning and disaster restoration services.

"Over the last 18 months to two years, we have concentrated a lot of our franchising efforts in the Pacific Rim area, and the activity is growing," says Judy Bachman, a spokesperson at the company's headquarters in Fort Worth, Texas. "At present, we have franchises in 13 different countries, including Singapore, South Korea, Indonesia, Hong Kong, Saudi Arabia, China, Japan and Australia."

Watchful for attractive business opportunities, Asian entrepreneurs are refusing to be left out of the action and are snapping up licensing rights for Asia from around the world.

Hotel Properties Ltd., a diversified hotel, entertainment and real-estate group based in Singapore, holds franchising rights for the Hard Rock Café and Planet Hollywood. Salim Group has Asians lining up to get a taste of Tony Roma's ribs. And the Wy Wy Group is offering Tex-Mex food at Chili's Bar & Grill outlets.

Meanwhile, Franchise Development Services is particularly proud of arranging the marriage between City Development Ltd. and U.S.-based Choice Hotels. Two of Malaysia's best-known fast-food chains - Sate Ria and Marybrown Fried Chicken - are also ex-

panding abroad through franchises.

Lindy Berry, head of Steamatic's international franchise division, believes that constant contact is the key to a successful operation. "Someone from Steamatic headquarters visits the franchisees twice each year to check on their operations, and their people come to Fort Worth twice a year to learn about the latest technology and techniques. We communicate by fax and phone nearly every week. If they have a problem or emergency, we're available 24 hours to them."

Despite the rush to establish new franchises, barriers remain in some countries. Mr. Lane says that Kentucky Fried Chicken would like to expand faster in China, but certain "challenges" prevent this, includ-

ing the inability to obtain attractive real estate and delays in gaining the relevant government approvals.

Another KFC target is India, where the absence of adequate utilities and building quality are major considerations. Mr. Lane says his company is also worried about the petty corruption that is said to exist in India, although KFC has encountered none of this.

Mr. Lane is confident that franchising is heading for a boom in Asia. "The power of Western brands is very important in these markets," he says. Franchise Development Services is also bullish about the future of Asian franchising. The company practices what it preaches - it is planning to open offices in Taiwan, Malaysia, China and Thailand.

Joseph R. Yogerst



NORTH AMERICA: GOOD AND BAD TIMES CAN BRING SUCCESS

In the United States, franchising continues to grow as entrepreneurs discover whole new industries to franchise and ways to expand existing opportunities abroad. The passage of the North American Free Trade Agreement and the rescinding of other protectionist measures with Mexico are expected to result in a huge new market just to the south.

Overall, the \$58.125 franchise outlets in the United States brought in \$803.2 billion in revenue in 1992, or over one-third of all retail sales. Franchising, which continued to grow during the prolonged recession, has kept pace with the current recovery.

"We see success either way," says Tom Portney of the Blenheim Group.

"When the economy is bad, people literally need to go out and buy a job. And when the banks are lending money again, an individual can go out and leverage a franchise. As the economy goes better, retail spending goes up, meaning more royalties for franchisees."

Perhaps the fastest-growing franchising sector is the delivery of goods and services directly to homes and businesses. Decorating Den, for example, a home-decorating franchise, is essentially a store in a van. Such services are growing faster than food, according to Bob Jones, vice president for international affairs for the International Franchise Association. The convenience attracts harried consumers, while their low cost relative to site-specific franchises makes them attractive to

most potential franchisees. Even the food industry, the most mature U.S. franchise category, is finding ways to diversify and expand. Candy HQ's is the latest franchise from Mark Bob Lando, founders of the successful Athlete's Foot franchise. The company offers uniform pricing and distinctive store lighting.

Boboli International began by manufacturing its own brand of pizza shells. Kraft now makes the shells domestically, while Boboli franchises abroad its manufacturing expertise, including marketing, recipes and technology.

The passage of NAFTA will only accelerate global marketing. U.S. franchisers have always been aggressive exporters, but until re-



cently have been all but shut out of the Mexican market. John Henry, senior vice president of Uniglobe, says he receives more inquiries from Mexi-

co than probably anywhere else in the world. Uniglobe, already the largest travel-agency franchise in the world, is currently in an advanced stage of negotiations with a group in Mexico.

Although Mr. Jones acknowledges the advantages that will come from tariff reductions on many products, such as food and chemicals, he sees the greatest benefit of NAFTA as the ultimate creation of more wealth in Mexico - and consequent consumer and business demand.

As of 1992, Mexico had only 200 franchised companies, with 3,500 units doing \$1.7 million in business - a tiny fraction of potential business for franchisers there.

Within the United States, individual states and the

federal government wrestle with issues such as franchiser compensation, complaints by minorities that they receive inferior territories, employee wages and job safety, and other issues. Franchisers argue that the industry is able to police itself without new laws, commissions or regulations, but the courts - and, increasingly, state and national legislatures - are stepping in to oversee the industry.

One encouraging development for franchisers is the increased interest on the part of corporate managers. Faced with shrinking demand for middle managers and layoffs by once-stable blue-chip companies, executives are looking at the opportunities turnkey franchisers provide for newly minted entrepreneurs. S.W.

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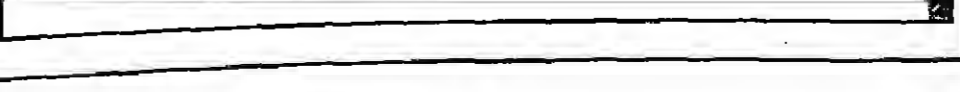
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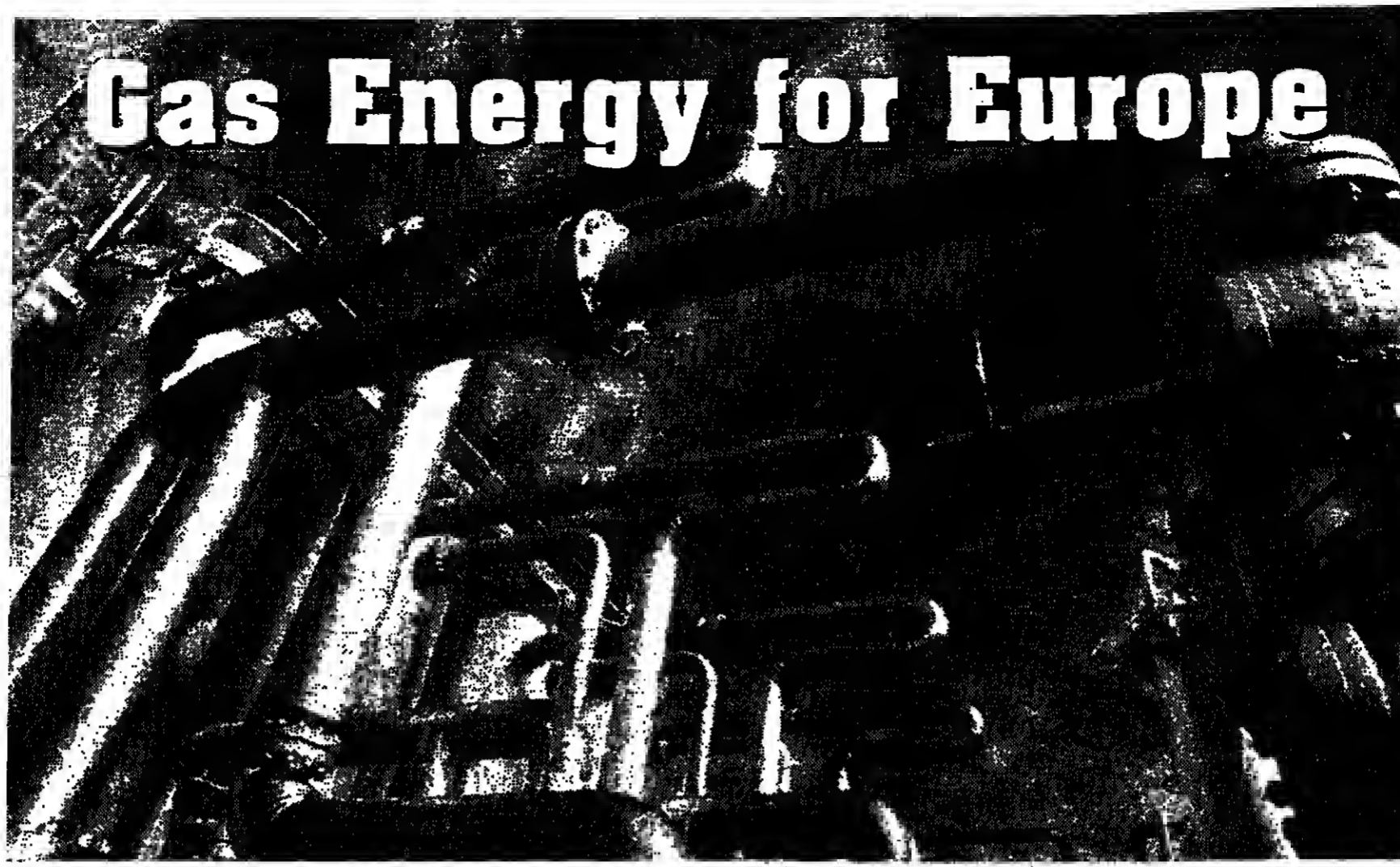
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PIPELINE TIMELINE

- 1977: The Philips Group puts the Norpipe pipeline in service and starts exports of Ekofisk associated gas to the Continent. Elf puts the Frigg gas field, at that time the world's largest offshore gas development, on-stream.
- 1979: Norske Shell discovers the Troll gas field, the largest offshore gas field in the world, with reserves of more than 1.2 trillion cubic meters.
- 1986: Signing of the Troll gas agreement between the Norwegian gas sellers and six European buyers, including Germany, France, the Netherlands, Belgium, Spain and Austria.
- 1991: The first options under the Troll gas agreement are exercised. Norway has now committed itself to supplying 44.8 billion cubic meters of gas under the Troll gas agreement.
- 1992: Government approval is given to the development of the Sleipner West field, part of the Troll gas agreement.
- 1993: The new Sleipner platform is installed and put on-stream. The Zeepipe is put into service on Oct. 1, 1993.
- 1994: The 810-kilometer Zeepipe linking the Sleipner field to Zeebrugge, Belgium, is officially inaugurated on April 29.
- 1995: Tow-out of the Troll gas platform to the field location and installation of a new Zeepipe link between the Troll gas terminal and Sleipner. Europe becomes operational.
- 1996: Start-up of Troll gas production and of the new Zeepipe link from the Troll shore terminal to the Sleipner platform.
- 1997: Production start-up of the Sleipner West field. A.L.

NORWAY'S TWOFOLD INVESTMENT: IN GAS AND IN THE CONTINENT

The official opening ceremony of the 810-kilometer-long Zeepipe, the world's longest offshore gas trunkline, on April 29 marks a turning point in the history of Norway. The new Troll/Sleipner export contracts have effectively doubled Norway's gas exports to the Continent.

As export volumes under the Troll agreement will reach 44.7 billion cubic meters by the year 2005, Norway's export commitments, including the depletion contracts signed in 1977 for the Ekofisk and Frigg fields and in 1985 for the Statfjord, Gullfaks and Heimdal fields, will total over 50 billion cubic meters at the beginning of the 21st century.

The historic Troll gas agreement, signed in 1986 with Germany, France, Belgium, the Netherlands, Spain and Austria, calls for Norway to supply 1,000 billion cubic meters of gas over the next 28 years, making Norway into a major European energy power.

What has confirmed Norway's posi-

tion, however, is its ability to get these huge development and construction projects off the ground. Norwegian gas sellers have committed themselves to investing more than \$18 billion for contracts that extend beyond 2022. Phase one of the project, consisting of the Sleipner field development and the Zeepipe line to Zeebrugge, is now complete. Phase two will be finished in 1995-96, and will include the Europe trunkline and the Troll gas platform. Phase three, ending in the year 2000, will include new field developments and new pipeline infrastructure.

The extent of Norway's risk, in financial and technical terms, was considerable at the time of the decision, which involved thinking 35 years ahead. Once the project was under way, it posed considerable challenges. The financial risk has been underscored by the slump in oil prices, to which gas prices are linked. The loss of the first concrete gravity-base structure for the Sleipner platform in August 1991, due to a design fault, provided a

stark illustration of the technological risks borne by the producers.

While a new concrete platform was ordered for the Sleipner field, new costs were incurred for a new riser platform in order to maintain the delivery deadline of Oct. 1, 1993 for the first Sleipner gas at Zeebrugge. Beyond the technical challenges, which have now proved manageable, financial ones remain. Even if more cost-efficient solutions are found to develop new offshore fields, often located in deeper waters than those of the North Sea, the cost of transporting gas to markets over longer distances means new developments do not always make economic sense.

If the demand for European gas increases from an anticipated 400 billion cubic meters in the year 2000 to an estimated 480 billion cubic meters by 2010, the three main suppliers to Europe — the former Soviet Union, Algeria and Norway — will all need to bring new gas reserves on-stream. Russia would need to develop its Yamal

peninsula gas fields and invest in new trunklines. Algeria would have to decide on new field developments to meet the growing demand from Southern Europe. Norway would also need to respond to the demand in view of Europe's requirement for secure supplies.

For the former Soviet Union and Algeria, deciding on heavy new development investments may prove challenging. Both countries would need foreign capital to realize new projects, with firm investment commitments before the end of the century. For the moment, neither Russia nor Algeria appears to have sufficient political stability to attract the necessary capital.

Hence the importance of Norway's role as a secure gas supplier to Europe. Both Germany and France have already indicated a need for more Norwegian gas in the future, and interest has been shown in Norwegian gas by East European countries like Poland and the Czech Republic.

As Norway is now seeking full

membership in the European Union, Norwegian observers in Brussels are taking advantage of Norway's powerful position as an energy supplier to Europe to convey their points of view on such matters as energy and environmental management and the use and cost of gas in order to influence European energy policy. One prominent observer is Statoil's director, Henrik Ager-Hanssen, who has entrée to some of the most important EU committees.

One area in which Norway has already been heard by the European Commission is the principle of free-market competition, which the Commission has fiercely defended up until recently. Free competition would allow anyone to buy gas at the wellhead, transport it through third-party access in the existing infrastructure and sell it on the open market. Norway, however, maintains that energy has important social implications and cannot be reduced to a commodity liable to the ups and downs of a deregulated market.

Norway, as a gas nation and an energy

power in Europe, also wants to contribute to the formulation of Europe's environmental policy and its implications for sustained economic growth and employment. Mr. Ager-Hanssen is the only non-EU member taking part in the EU's consultative committee on environmental issues. The committee includes representatives from the energy industry, environmental organizations and local and regional authorities. Its aim is to discuss, at an early stage of EU environmental legislation, potential problems and conflicts and to try to

Continued on page 19

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Gas Energy for Europe

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Norway is so rich in energy resources that it exports the vast bulk of the natural gas that it withdraws from the rich fields off its coast. While Norwegians rely predominantly on hydropower, their nation has become the world's sixth-largest exporter of gas.

Norwegian natural gas is piped down to Western Europe. There, it fulfills 10 percent of energy requirements. The main problem facing the distributors of Norwegian gas in six nations south of Norway is lack of transport capacity: Existing pipelines simply will not be able to carry enough gas to meet the agreed-upon targets. Hence the rush to build new pipelines to supplement the well-established Norpipe and the six-month-old Zeebepe.

The Zeebepe will deliver gas to four downstream customers: Distrigaz and Electabel in Belgium, Gaz de France in France, and Enagas in Spain.

Belgian gas distributor Distrigaz already receives gas from Norway via the Norpipe pipeline that terminates in the German city of Emden. Its initial role in distributing gas from the Zeebepe, which terminates in Zeebrugge, Belgium, is that of a middleman.

At present, Distrigaz accepts gas from Statoil, the

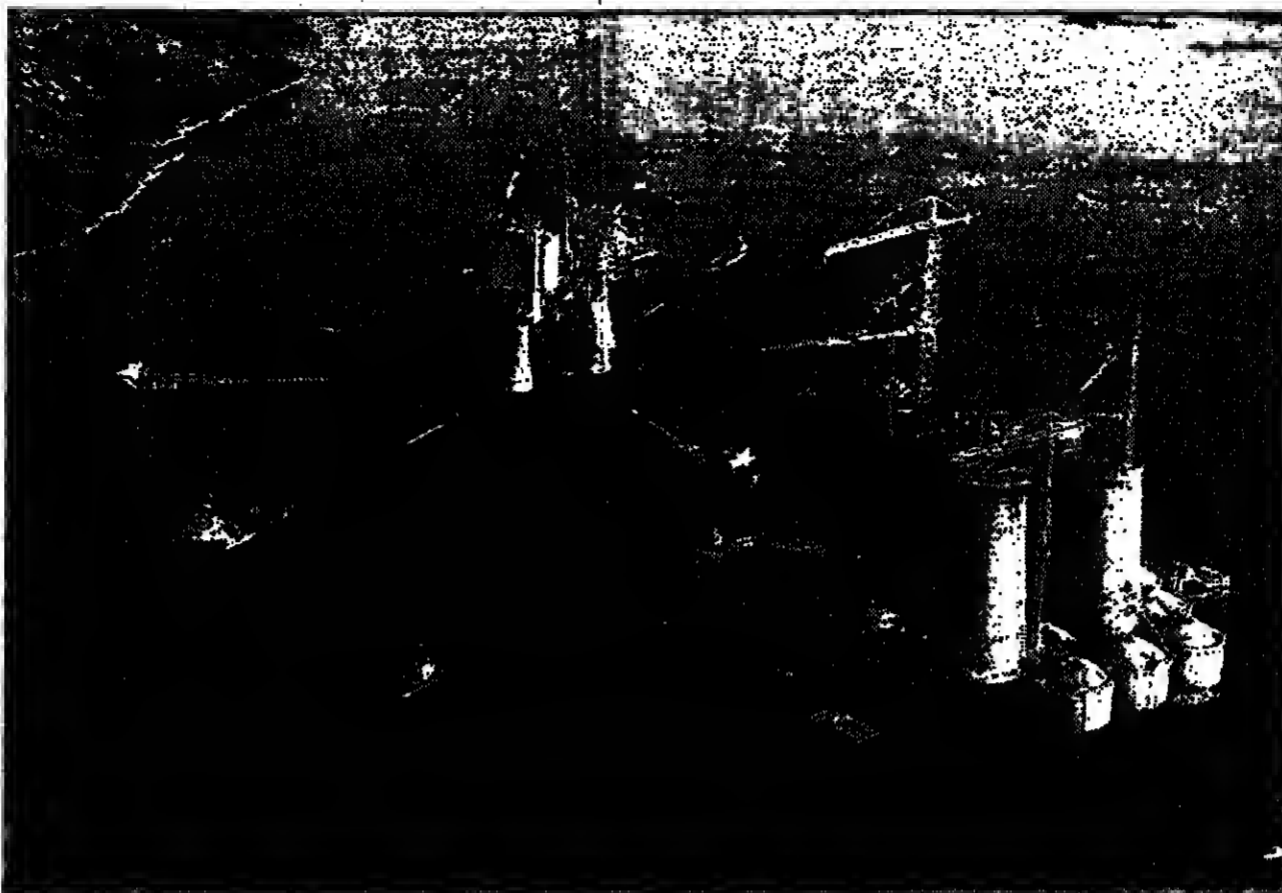
Norwegian company that takes the gas immediately from the Zeebepe. Then Distrigaz runs quality-control tests on the gas, meters it and puts it into its network of pipelines for delivery to Gaz de France.

In two years' time, Distrigaz will have another customer for Zeebepe gas: Belgian electricity generator Electabel. Starting in 1996, Distrigaz will deliver 1.7 billion cubic meters of gas per year to Electabel, an amount that will probably increase around the year 2000.

Since Belgium is in the middle of a move away from liquid fuels such as oil and toward cleaner natural gas, how can Distrigaz afford to take only a distribution role in gas from the Zeebepe? "There are no shortages of gas in Belgium at present," explains Distrigaz spokesman Christian Otto.

In fact, Norwegian gas, delivered through the Norpipe, accounts for only 22 percent of the gas reaching Belgian consumers. Algerian and Dutch gas accounts for the rest, in roughly equal amounts. With the recent increases in supply of gas from Norway, however, the proportion of Norwegian gas is expected to grow to about the same amount as that from the Netherlands and Algeria. The new pipeline, according to Mr. Otto, "will permit the country to diversify suppliers."

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • Peter Gwynne is a Brussels-based writer specializing in science and technology. • Annick Lia is Scandinavian editor for Euroil. • This is the second in a two-part series.



The Selpner platform being towed out of a fjord near Stavanger after its completion last year.

Electabel, meanwhile, is planning a series of new generating plants that will use the Norwegian gas it is due to start accepting in 1996. The reason for the plants: a higher than anticipated growth in demand for power in recent years.

The company usually plans new equipment over a 10-year cycle. Its 1988 plan was based on expected annual growth of 2.5 percent. With the exception of the recession-affected year of 1993, recent growth has been in the range of 3 percent to 3.5 percent.

Electabel's revised plan envisions a total of five new generating plants that will use natural gas. The first, a 460 megawatt plant close to Brussels, was opened officially on April 15. According to Electabel, it will be

aimed largely at domestic and small-business users — although the interconnectedness of Europe's electricity suppliers means that power generated in one particular area does not necessarily serve that area alone.

The next Electabel plant, another 460 megawatt generator, will be located in the Liege region. Yet another 460 megawatt plant and two 350 megawatt facilities will go on-line later.

The new gas-fired plants will also make Belgian energy more environmentally friendly, according to Electabel spokesman Philippe Massart, by moving away from liquid fuel toward natural gas. Gas from the Zeebepe that passes beyond the Belgian border will pass on to Gaz de France. The French company will use

some of that gas for its own purposes and transport the rest through France. It will be redelivered to the Norwegians at the Spanish border and passed on to Enagas. Gaz de France also receives Norwegian gas from the Emden line, shipped through Belgium via the SEGEO pipeline, a subsidiary of Gaz de France and Distrigaz.

Natural gas accounts for about 13.3 percent of France's primary energy market at present. None is used to generate electricity. French demand for natural gas grew by 4.2 percent last year. Industry observers expect that the growth rate will continue to exceed that of the overall consumption of energy in France.

Norwegian gas is helping to satisfy the demands of Gaz de France. The volume

to be delivered to the company will increase from the current figure of 1.6 billion cubic meters per year to 8 billion cubic meters annually by the turn of the century.

Gaz de France, however, faces a long-term shortfall. Says spokesperson Sophie Carlier-Orsini: "Most of the expected demand is covered by purchase agreements already concluded, until roughly the turn of the century. After that, even with the currently planned increase of flow through the Zeebepe, contracts will not be sufficient to cover the increase of gas demand."

Options being considered by Gaz de France include increases in the amount of Norwegian gas and supplementary amounts from other current suppliers.

Peter Gwynne

A CELEBRATION FOR ZEEBRUGGE AS AN ENERGY HUB

Flemish-speaking Belgians call it Bruges, with a hard "g," while French speakers pronounce it Bruges, with a soft "g." But for Belgians of both tongues, the medieval city is rapidly becoming the energy capital of Europe.

The Zeebepe will be officially inaugurated at the Zeebrugge terminal today at 11:30 A.M. by the Belgian prime minister, Jean-Luc Dehaene, assisted by Norwegian Prime Minister Gro Harlem Brundtland. Following the inauguration lunch, guests will repair to the medieval Belfort building in the center of Bruges for the ceremony marking the start of deliveries under the Troll gas sales agreements. In the evening, some 300 guests will top off the festivities with a gala banquet at Belfort.

For Bruges and its port, the Zeebepe represents part of a general buildup as an energy center. Zeebrugge already boasts a liquid natural

gas terminal. The region is designated as the receiving terminus of a tentative new pipeline, the Eurolink. If feasibility studies due to be released in the autumn prove satisfactory, Eurolink will pump gas from the British side of the North Sea to Continental Europe via Zeebrugge.

The Flanders port is also in competition for the second Zeebepe. That project has received the green light to deliver yet more natural gas from Norwegian fields. The southern landing point has not yet been decided, however.

How has the recent activity helped Belgium in general and the Bruges-Zeebrugge region in particular? "Belgian dredging and pipelaying companies have gained a higher profile internationally," says a spokesperson for Distrigaz, "and the image of Belgium as a major center for European gas flow is important for the future."

P.G.

NORWAY INVESTS IN ENERGY AND IN EUROPE

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find solutions through the formulation of environmental directives.

Norway hopes to underscore its role as an energy supplier to Europe by further expanding its power exports. In this case, new power could be generated by gas-fired plants in Norway or in

other European countries.

Mr. Ager-Hanssen, from his observer's post in Brussels, is already representing both Statoil and Statkraft (the national Norwegian power utility). Indications have been given that they could jointly form a gas-fired power-generation consortium.

A.L.

Looks like the future is bright for gas.

Our grand-parents used gas for lighting homes and streets: now natural gas is becoming the preferred feedstock to generate electricity. TOTAL is both an oil and a gas company; in fact natural gas represents a major part of our hydrocarbon reserves. From geology to marketing, TOTAL is at the forefront of

this complex industry and today holds a world-class position. Natural gas has therefore become a strategic focus for the Group, and it is not just by chance that in this rapidly expanding industry, TOTAL is poised to become a key player. **TOTAL BY NAME. TOTAL BY NATURE.**



ADVERTISING SECTION

Gas Energy for Europe

TROLL'S UNPRECEDENTED ENGINEERING PROJECT

The development of the Troll field is the world's largest energy project. With a capital expenditure of \$4.6 billion for the platform and the shore terminal alone, it is the most capital-intensive project to date.

Twenty-six exploration wells have been necessary to

and one observation well, will be required to tap the reserves. The gas is essentially methane, with no carbon dioxide or sulfur.

The wells will be drilled from a gigantic 430-meter platform, which will rest in a water depth of 303 meters. The wells will each be slightly deviated and, rather like the legs of an octopus,

this part of the North Sea, the platform must withstand waves of up to 30 meters as well as very strong currents. Concrete is the only material offering sufficient resistance to these forces.

When the Norwegian government approved the project in December 1986, operator Shell was made responsible for offshore devel-

opment. Because the Troll construction stretched the limits of tested technology, it was decided to treat and dry the gas at an onshore terminal, now under construction north of Bergen. This saved considerable weight on the topsides of the platform, a vital advantage when towing the million-ton structure out to sea.

Breaking yet another technological barrier, "wet" untreated gas would, for the first time, be transported on an industrial scale over a great distance. To prevent the liquid elements in wet gas from freezing, it is necessary to inject glycol, a sort of antifreeze, into the two pipelines transporting the

untreated gas to the Troll onshore terminal. From the Troll terminal, the "dry" gas will be exported through a new pipeline scheduled to be laid in 1995 over the 300-kilometer stretch between the terminal and the Sleipner riser platform. In 1997-98, another export line will be laid from the terminal to a central tie-back point of the North Sea gas export infrastructure.

Construction of the Troll platform started in 1992 in Stavanger, at the building site of Norwegian Contractors. The 300,000 cubic meters of concrete used for the platform could fill a line of concrete mixers from Stavanger to Oslo, and would be enough to build a 5,500-unit apartment block. New York's World Trade Center, with its 16,500-square-meter base and height of 370 meters, is dwarfed in comparison.

The concrete substructure will weigh a total of 656,000 tons. First to be constructed were the 40-meter skirts, which are intended to sink in the soft seabed and give stability to the structure. Then came 12 ballast caissons, 60 meters high, over the skirts, and the slipforming of the four shafts. In June 1993, when the platform had reached a height of 134 meters, Norwegian Contractors towed it to a deep-water fjord in order to complete the remaining concrete work to a final height of 370 meters.

The completed platform will be towed out and installed in the field location in 1995, followed by a phase of hook-up and commissioning leading to production in 1996, 10 years after government approval was granted. At this point, Statoil will take over the operation of the Troll field.

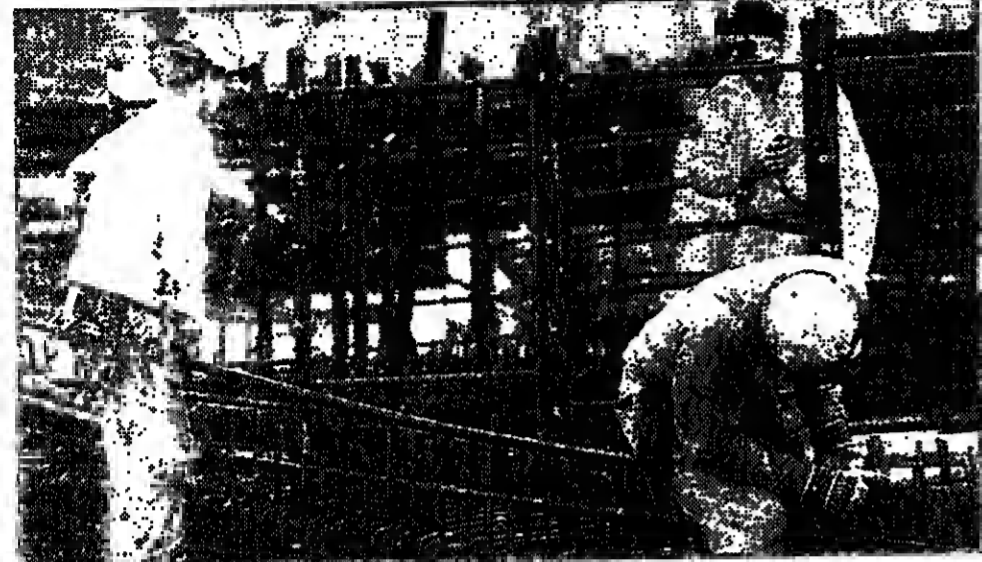
Meanwhile, the Sleipner field has started to produce the first volumes of gas under the Troll gas agreement. The very first gas was actually produced in August 1993, while contractual commitments started in October 1993.

The Sleipner gas is transported in the 810-kilometer Zeepeepe, landing at Zeebrugge, Belgium, and it is this event that is being officially celebrated today. The Sleipner project has been a particularly eventful one in Norway's oil and gas history. On Aug. 23, 1991, the Sleipner concrete gravity-base structure under construction at Norwegian Contractors in Stavanger sank to the bottom of the fjord, where it was undergoing ballast tests. The loss was estimated at \$274 million. A design error was identified as the cause of the accident, and another concrete base was immediately ordered. Within two years, a redesigned concrete construction was completed and towed to the field for the first production to meet contractual obligations of October 1993.

The Sleipner concrete structure is 110 meters high and has a concrete volume of 79,000 cubic meters. The 37,000-ton deck features a fully integrated production, process and accommodation plant.

At plateau level, it will produce 20.5 million cubic meters of gas per day as well as 19,600 cubic meters of condensate, which is transported separately to a shore terminal north of Stavanger.

A.L.



The Troll platform will contain enough concrete to build a 5,500-unit apartment block.

map and appraise the Troll field, discovered by Norske Shell in 1979. Located 80 kilometers (50 miles) off Bergen, the field contains estimated recoverable reserves of 1.2 trillion cubic meters of gas. The Troll gas volume is equal to a 5.5-meter-thick layer covering the whole of Norway.

The Troll reservoir extends over four blocks, or about 2,000 square kilometers. The gas is trapped in sandstone of the Jurassic era, which can be up to 400 meters thick, 1,400 meters below the seabed. The sandstone is very permeable and has excellent production capabilities. Forty wells, including 39 production wells

form a circle 500 meters in diameter under the platform. Each well will be able to produce 3.4 million cubic meters of gas per day; under normal operations, however, production is likely to be limited to 2.8 million cubic meters per well a day.

If the Troll platform were built on land, it would have a visibility of 70 kilometers from the top. The platform consists of a 370-meter, four-legged gravity-base structure in concrete, topped by a deck with drilling, production and transport facilities. Concrete was chosen for the substructure of the platform because it has a lifetime of at least 70 years. In the harsh environment of

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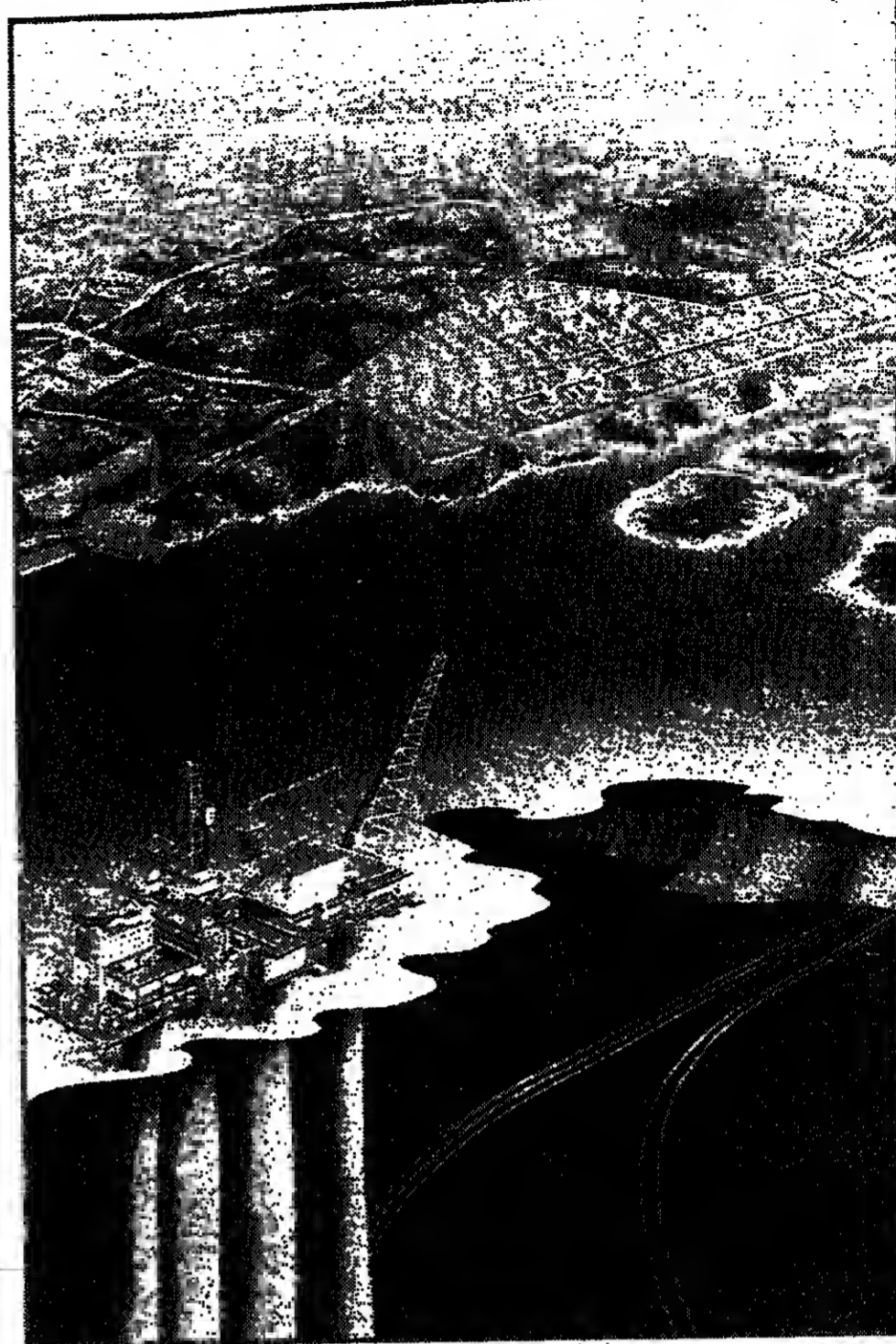
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Landbased processing of Troll gas will improve safety as well as the project's economic potential.

A FUEL OFFERING GREEN CREDENTIALS

A growing consciousness that the environment is an economic resource worth investing in is helping to shape European energy legislation and has already encouraged the switch from coal and oil to natural gas.

Nuclear fuels have substantially helped to curb carbon-dioxide, sulfur and nitrogen-oxide emissions, but the Chernobyl incident in the former Soviet Union in 1985 and the environmental hazards of the disposal of

atomic waste have put an effective stopper on nuclear expansion plans. The burning of coal and oil is responsible for almost all the world's emissions of sulfur, nitrogen oxide, particles and heavy metals into the atmosphere or the soil. In addition, coal extraction is frequently linked to slag heaps, often leaking pollutants into the soil. Oil production is linked to oil spills and polluting drilling fluids.

Natural gas, which requires the same level of drilling activity as oil, seldom makes headlines. In its invisible, gassy form, it evaporates quickly and has not therefore been considered the cause of any major environmental disaster. In fact, up until recently, it has often been considered more an expendable by-product of oil production, good for flaring, than a premium resource in its own right.

Meanwhile, as Peter Mellbye, Statoil's president for the gas division, suggests: "Technological breakthroughs are economically driven, and therefore will not take place before the price of natural gas becomes

unsustainable, which is unlikely to happen in the near future." For the time being, however, highly polluting fuels are in retreat, and the void they leave is slowly being filled by natural gas.

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substitution reduces carbon-dioxide emissions by more than a million tons per billion cubic meters of gas. In total, Norway's gas deliveries cut annual European carbon-dioxide emissions by nearly 30 million tons, almost equivalent to Norwegian emissions from all fuel sources, totaling 35 million tons. Future deliveries will drop this reduction to almost 70 million tons annually by 2005. Emissions of nitrogen oxide, sulfur dioxide and particulates will also be substantially reduced.

A number of environmentalists argue that methane is a strong contributor to global warming and that the effect of curbing carbon-dioxide emissions could be nullified by leaks in the natural gas supply chain, particularly if the use of gas were to grow substantially. Calculations show, however, that leaks from the production and transport of Norwegian gas are extremely small - on the order of 0.01 percent. A major reason for this is the stringent safety restrictions that apply to all oil and gas operations on the Norwegian shelf. Another is that Norway sees gas and the natural environment as valuable resources and seeks to prevent any needless waste.

In the former Soviet Union, and in Russia in particular, European and American gas companies are helping to repair a number of leaky pipelines. While pipeline leaks account for only about 5 percent of methane emissions, scientists have started to regard other methane sources as perhaps a greater threat to global warming. Natural swamp areas, rice cultivation, sewage treatment, livestock and other human-related activities are understood to be major methane contributors.

Gas is abundant. Worldwide reserves are steadily upgraded, and new gas is being discovered all the time. The North Sea, Russian and Algerian reserves combined could continue to supply Europe for centuries at today's consumption rate. European legislation has taken steps to encourage the use of gas, but the price of imported gas reflects the cost of long-distance transport. New legislation to encourage the use of gas by means of taxes on coal and oil could prompt a new surge in demand for gas in Europe.

A.L.



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